S. HRG. 103–889, VOL. XVI

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HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED THIRD CONGRESS

SECOND SESSION

VOLUME XVI

RESOLUTION TRUST CORPORATION ("RTC") DOCUMENT PRODUCTION IN RESPONSE TO S. RES. 229

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White House Focuses on Mitchell as Successor To Blackmun, Though Others Aren't Ruled Out

By PAUL M. BARRETT
And JACKIE CALMES
Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON – Inside the White House, most of the conversation about whom President Clinton should appoint to fill the Supreme Court seat being vacated by Justice Harry Blackmun focuses on one man: Senate Majority Leader George Mitchell.

The Maine Democrat is the embodiment of what Mr. Clinton has said he wants in a justice: He is a consensus-builder, a respected intellect, a man of public service and experience who will bring the heft that Clinton craves to give the court.

Sen. George Mitchell

Moreover, Sen. Mitchell's stature inside the Senate club makes him an overwhelming favorite for confirmation. "There isn't anyone who would vote against him," says William Cohen, Maine's other senator and a Republican who sits on the Judiciary Committee that handles Supreme Court nominations. At a time when the Clinton administration has its hands full with Whitewater and health-care overhaul, the prospects of a smooth confirmation are among Sen. Mitchell's strongest attributes.

But after Justice Blackmun announced his retirement yesterday, as expected, White House aides were refusing to confirm that the choice has been narrowed vote for a pay raise for judges affect when, or even whether, he could take the seat?

It is hard to imagine that conservative activists could unearth revelations serious enough to dent his overwhelming popularity inside the Senate. Despite his partisan role, he has enjoyed cordial relations with almost all of his colleagues. Sen. Orrin Hatch of Utah, the ranking Republican on the Senate Judiciary Committee and a key player in confirmation politics, says, "I happen to think a great deal of George Mitchell, and I think it would be a fairly easy confirmation process."

Nevertheless, unlike a year ago, when there was only token opposition mounted to the selection of Justice Ginsburg, conservative activists are itching for a bloody confirmation fight. The selection of Sen. Mitchell would guarantee a declaration of war.

A 'Changed' Atmosphere

"The political atmosphere in Washington has completely changed," says Floyd Brown, chairman of Citizens United, a group that has been fanning the flames of Whitewater to damage the Clinton administration. Additionally, Mr. Brown, who was involved in the Clarence Thomas confirmation fight, points out, "The second nominee always gets more scrutiny. The conservative research network is already busy."

Yesterday Thomas Jipping, the chief legal strategist for the Free Congress Foundation, a nerve center for conservative opposition efforts, was busily combing through Sen. Mitchell's decisions as a federal judge. Sen. Mitchell's extensive liberal voting record in the Senate provides "a lot of material to work with," Mr. Jipping adds gleefully.

est groups have generally given him strong approval ratings, including a recent 95% grade from Americans for Democratic Action. (Conversely, the Chamber of Commerce gave him a tepid 20% approval rating.)

He has been a staunch supporter of abortion rights. Sen. Mitchell backs the proposed Freedom of Choice Act, which would expand protections of abortion rights in response to recent Supreme Court decisions narrowing them. The senator also led the effort in Congress against the Bush administration's "gag rule" barring federally funded family-planning clinics from advising people about abortion.

He opposes the death penalty and has voted against curbs on death-row appeals. But he has voted for broader crime bills that include death-penalty provisions. He isn't a proponent of gun control, which is an unpopular issue in mostly rural Maine, though he did help win passage of the Brady bill's five-day waiting period for handgun purchases.

He also opposed the nominations to the Supreme Court of Robert Bork and Clarence Thomas.

Fights Over Taxes

Sen. Mitchell's best-known fights with conservatives have been over taxes. He repeatedly killed Mr. Bush's efforts to cut capital-gains taxes and instead pushed to raise taxes on the wealthiest Americans—a goal that saw fruition last year when Sen. Mitchell helped pass Mr. Clinton's economic program. The Democrat is also known as an environmentalist and led the decade-long fight for the Clean Air Act.

Though highly partisan as a politician, Mr. Mitchell's record as a lawyer, prosecutor and judge prior to his Senate election probably won't supply foes with much ammunition with which to paint him as a judicial activist. According to Prof. Kinvin Wroth of the University of Maine School of Law, who has followed the senator's career for decades, Sen. Mitchell "has a genuine judicial perspective and temperament" on legal issues. As a jurist, he would combine "a functional and pragmatic approach" with a "generally liberal philosophy," the professor predicts.

People familiar with Sen. Mitchell's legal career describe him as meticulous, capable and genuinely enthusiastic about delving into complex constitutional and statutory questions. After 12 years as a commercial litigator with a Portland, Maine, firm, Mr. Mitchell was named U.S. attorney for Maine in 1977 and then served briefly as a federal judge in 1979-80 before going to the Senate.

As a trial judge, especially for so brief a period, he had few opportunities to write legal opinions. But a preliminary review of his judicial work reveals a competent jurist and one not necessarily wedded to "liberal" results. For example, in a 1980 case, he rejected a suit filed on behalf of poor people in Maine seeking increased benefits from a federal energy-subsidy program.

Then-Judge Mitchell wrote: "Plaintiffs have urged upon the court an expansive interpretation of its equitable powers. That those powers are formidable cannot be doubted. But their very scope mandates prudence in their exercise."

Along with the Supreme Court, Sen. Mitchell has long acknowledged his interest in being baseball commissioner. The club owners have repeatedly approached him, with increasingly lucrative offers. "They want him," says Sen. Cohen. And the job has obvious attractions for Sen. Mitchell, an ardent Boston Red Sox fan.

–Jeffrey H. Birnbaum contributed to this article.

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
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FROM: Gloria M. Berry
Paralegal

DATE: April 18, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached is are (3) news article from Nexis, relating to Madison Guaranty, dated April 15 & 17, 1994.

LEVEL 1 - 1 OF 3 ITEMS

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The New York Times

April 17, 1994, Sunday, Late Edition - Final

SECTION: Section 1; Page 18; Column 3; National Desk

LENGTH: 1601 words

HEADLINE: Clintons' Co-Investor in Whitewater Rides a Crest

BYLINE: By NEIL A. LEWISwith ANNE FARRIS

BODY

While Bill and Hillary Rodham Clinton may consider the furor caused by their investment in the Whitewater Development Company 12 years ago depressing, for James B. McDougal, their partner in the real estate venture, it has suddenly become utterly rejuvenating.

Some months ago, Mr. McDougal was lamenting with friends and interviewers about his miserable life, which he said would soon be ended by an assortment of medical problems. But these days, he is running for Congress.

His platform? It's not quite clear, but it has something to do with Whitewater. And the Clintons' innocence. And Republican abuse of Congressional power. And most certainly with the right of James B. McDougal to be in the public spotlight he was pushed out of years ago.

"I had sort of lost interest in everything," Mr. McDougal said when he filed to run for Congress. "And then all of this just came along, and everybody started pounding on my head."

Paths That Diverged

The difference in the fortunes over the last 20 years of Bill Clinton and Jim McDougal, both once eager young political players in Arkansas, could not be starker.

Bill Clinton enters a room to "Ruffles and Flourishes" and riveted attention. Until Whitewater became a headline word, Mr. McDougal, bankrupt, divorced and on medication for manic-depressive illness, found admiration only from the waitresses at Western Sizzlin', an inexpensive steak-and-salad bar restaurant in the small college town of Arkadelphia where he takes two meals every day.

But while Mr. Clinton waits for Whitewater to go away, Mr. McDougal is now seeking to ride it back from obscurity.

He had a fine time announcing recently that he was selling off plots of genuine Whitewater dirt for $19.95 complete with certificate. He announced his candidacy for Congress on the steps of the Arkansas Capitol last month by telling reporters they were a bunch of scoundrels and fools. And on Tuesday, Mr.

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McDougal held another news conference to offer 2,000 pages of Whitewater documents -- to those news organizations willing to buy them at 50 cents a page, proceeds to go to his legal defense fund.

New Kind of Role

But the role of scrappy and voluble defender of the Clintons is a fairly new one for Mr. McDougal. In a February interview, he had little to say about the Whitewater Development Company, which was supposed to develop vacation homes in the Ozarks along the White River. He was similarly reticent when it came to the affairs of Madison Guaranty Savings and Loan Association, an institution he owned until the Federal Government closed it at a cost to taxpayers of about $69 million.

Back then, he became expansive only when the conversation turned to his personal misfortunes. "Any story about me should begin by saying, 'The greatest has fallen,' " he said. "The prophet Job can't compare to me, because he didn't have it nearly so bad. One thing after another has happened to me."

Whitewater critics, like Representative Jim Leach, Republican of Iowa, have called the venture a plot to skim federally insured deposits out of Madison, and investigators have detailed the transfer of thousands of dollars from the bank and other McDougal-owned companies into Whitewater's account. A special prosecutor is now looking into the accusations.

But in Mr. McDougal's telling, Whitewater was simply the result of his admirable tendencies to be generous, tendencies that he said have been bred over generations of the McDougal clan in Scotland.

A Patronage Seeker

James Bert McDougal was born Aug. 25, 1940, in Bradford, Ark., the only child of a local merchant family that owned two groceries, a feed store, a furniture store and a fruit orchard.

He began attending the University of Arkansas at Fayetteville, but quickly became preoccupied with Democratic Party politics (Franklin D. Roosevelt was his hero) and dropped out. He was elected a state committeeman at age 29 and began the life of a seeker of patronage posts.

He first met Bill Clinton in 1968, when they both worked for Senator J. William Fulbright. In 1975 Mr. McDougal taught political science at Ouachita Baptist University in Arkadelphia while earning his own college diploma and a master's degree. In the process, he married a 22-year-old student of his who would later be featured on horseback in television commercials promoting Whitewater. The couple later divorced, and his ex-wife, Susan McDougal, has legal troubles of her own, having been charged with embezzling from Zubin Mehta when she was his bookkeeper.

The Fulbright connection not only brought Mr. McDougal and Mr. Clinton together, but also linked Mr. McDougal's two passions -- politics and real estate. Political associates and bankers around Arkansas have described how in the 1970's Mr. McDougal embarked on a series of real estate deals with Mr. Fulbright. When he brought Mr. Clinton into the 1978 land purchase that later

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became Whitewater Development, they assumed that it was another example of Mr. McDougal trying to make some money for a politician on the rise.

Amusement Without Respect?

Some who knew Mr. McDougal and Mr. Clinton back then describe the relationship as an odd and not a particularly close one. One person who worked on campaigns both for Mr. Clinton and Mr. Fulbright said Mr. Clinton valued Mr. McDougal's store of local political knowledge and got a kick out of his Roosevelt imitations, but did not have a great deal of respect for him.

Mr. McDougal, in turn, can quickly veer from praise of Mr. Clinton to scornful stories about his youthful ineptitude. He recalled the day Mr. Clinton was driving Mr. Fulbright through a blistering Arkansas afternoon with the windows open and the air-conditioning on, wondering why the windshield was dripping wet.

"Here were two Rhodes scholars and they didn't know what condensation was," Mr. McDougal scoffed in a recent interview. "I don't consider these people great. I don't know anyone as bright as I am."

Mr. McDougal acknowledges his arrogant streak, which some call his downfall. John Haley, the lawyer for the current Arkansas Governor, Jim Guy Tucker, who was involved in a series of deals with Mr. McDougal, said Mr. McDougal believed in himself "to an incredible degree" and was tremendously believable until his finances fell apart.

Dislike Is Evident

If it is difficult to gauge Mr. McDougal's views of the President, it is a simple task to figure out how he feels about Mrs. Clinton.

He criticized the First Lady in starkly unkind terms about her appearance, her intellect and her personality. What underlies his evident dislike of Mrs. Clinton is unclear, but he offered a clue when he spoke of "a cultural barrier" between them, suggesting that like a few of Bill Clinton's other Arkansas friends, he resented the bride imported from Yale.

However they felt about each other, Mr. McDougal and the Clintons worked together, incorporating their Ozarks investment as Whitewater Development in 1979. In 1980, Governor Clinton appointed him to several minor state posts.

In the next few years, things began to go bad for Jim McDougal. He ran an unsuccessful race for Congress in 1982, during which he offered himself as a small-scale F.D.R. At the time, interest rates were soaring, a fact that had already begun to devastate the Whitewater venture, and Mr. McDougal gave speeches warning that the only thing Arkansans had to fear was fear itself. After his defeat, he accustomed himself to the idea that his role was not as an elected official but as a maker of deals with political figures.

The New Jim

In 1986, the Federal Government seized Madison, and he was indicted on mismanagement charges in 1989. He was acquitted the following year and went into near seclusion, living on a disability pension in a trailer on land owned by

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friends.

The White House is not quite sure what to make of the new Jim McDougal, since he is the original source of much of the information about Whitewater and until recently frequently contradicted some major elements of the President's account.

"Our view is he is not anyone we have any control over," one White House official said. "He's a rather unpredictable force. He's neither friend nor enemy, but I think he's someone who has to be treated carefully. You can't rely on him, so you can't build a strategy around what he's going to do."

"He's not a fool. He has an interesting strategic sense; where our interests and his interests intersect, he's helpful," the official said. "Where they diverge, he's not."

For instance, the documents Mr. McDougal released last week, which he said would clear the Clintons, have instead produced a series of articles saying they show inconsistencies in the Administration's account.

Mr. McDougal is also resolute in his recollection of an incident that Mr. Clinton has said never happened. He said that sometime in the late summer of 1984, Governor Clinton jogged by his office at Madison Guaranty early in the morning and urged him to give some legal business to Mrs. Clinton, who was then a partner in the Rose Law Firm in Little Rock.

Mr. McDougal said he remembered the event clearly because it had stuck in his mind how he did not like the way Mr. Clinton, still hot from his morning run, was sweating on his new leather chair.

He said that Mr. Clinton did not explicitly ask him to hire his wife but that the idea just evolved out of a conversation. "I considered it that I was giving a friend's wife work," Mr. McDougal said. "I didn't need any favor from him. That was the last time I saw him."

GRAPHIC: Photo: James McDougal, the former investment partner of Bill and Hillary Rodham Clinton, is using his real estate ventures to regain the spotlight. In the office of his lawyer in Little Rock, Ark., he offered to sell sets of Whitewater Development documents to news organizations for $1,000 each. (Associated Press)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 17, 1994

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LEVEL 1 - 2 OF 3 ITEMS

Copyright 1994 News World Communications, Inc.
The Washington Times

April 17, 1994, Sunday, Final Edition

SECTION: Part A; NATION; Pg. A4

LENGTH: 769 words

HEADLINE: Bentsen doubts health-reform inflation

BYLINE: Joyce Price; THE WASHINGTON TIMES

BODY

Treasury Secretary Lloyd Bentsen denies health care reform will cause inflation, even though President Clinton has recommended that business owners raise prices to offset the costs they would incur by having to provide employees with health insurance.

At a town hall meeting two weeks ago in Kansas City, Kan., Herman Cain, chief executive officer of Godfather's Pizza, asked Mr. Clinton what he's supposed to tell employees who will lose their jobs as a result of requirements in the administration's health care bill that employers provide health insurance for their workers.

The president suggested that pizza dealers raise their prices 2 percent.

Interviewed yesterday on CNN's "Evans and Novak," Mr. Bentsen said he foresees no inflationary impact from small price increases that might be charged by business people trying to compensate for higher labor costs linked to health care reform.

The reason? He said medical expenses of those without health insurance are "being paid for already" through higher hospital rates, doctors' fees and taxes.

"As it now stands, the taxpayers or the individuals that have health insurance will see their costs go up . . . so it's a question of leavening it and seeing that the sacrifices are equally borne."

As for overall inflationary trends, Mr. Bentsen said, "I would say that what you're looking at is very moderate inflation that has been well-contained up to this point."

His comments came one day after Laura Tyson, chairman of the Council of Economic Advisers, said she sees no inflationary threat at this time.

Mr. Bentsen also was asked about the Federal Reserve Board's two recent quarter-point increases in the federal funds rate - the rate banks charge each other for overnight loans - and whether more are likely before the year is up.

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"I would say that in our own projections, we were forecasting approximately a 4 percent rate by the end of the year," or an additional one-half percent increase in the short-term rate, he said.

That was the administration's forecast "as of last year," he said. "Now what the Fed does, I quit trying to predict that."

Mr. Bentsen denied there is any tension between the administration and the Fed, an independent agency, over recent increases in short-term interest rates.

"I would say that there's not tension there. . . . I think we share the objective of seeking long-term sustained growth at low inflation," he said.

He also denied that recent drops in the stock and bond markets were triggered by the higher income taxes that 1.2 percent of the wealthiest Americans are now assessed.

For those already unhappy with higher taxes, Mr. Bentsen raised the specter of more. In addition to concerns about funding health care and welfare reform, he noted that funding must be found to make up for a $13 billion loss in tariff revenues, which will occur if the new General Agreement on Tariffs and Trade is implemented.

"Well, it's going to be extremely difficult to do it," he said. "But for us, as the leading trade nation, who helped lead the fight to bring about GATT, not to put it into effect would be a serious mistake. So we will. . . . We'll have to pay for it out of cuts in expenditures or increased taxes or both."

Mr. Bentsen also was asked about published reports that Mr. Clinton and first lady Hillary Rodham Clinton have lost confidence in his deputy, Roger Altman. Mr. Altman, who is acting head of the Resolution Trust Corp., created a firestorm when he admitted to a Senate panel that he had briefed the White House about the status of an RTC probe into Madison Guaranty Savings and Loan and later changed his story about how many such meetings had occurred.

Madison was owned by the Clintons' partner in the Whitewater real estate venture.

Asked if Mr. Altman is in trouble with the first couple, Mr. Bentsen replied: "Oh, I certainly don't think so. He's still very much involved in health care reform. He's working on the Japanese [trade] situation, along with the State Department and others, of course. . . . I see no problem."

Asked about published reports that Mr. Bentsen himself has lost confidence in Mr. Altman, he said, "Not correct."

Mr. Bentsen also denied rumors that he plans to resign from government service at the end of the year.

"Certainly not. I'm enjoying my work," he said. "This economy is moving along. And I'm enjoying it. It's a great time to be secretary of the Treasury."

GRAPHIC: Photo, Treasury Secretary Lloyd Bentsen waves during his address last

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month to a luncheon for the Greater New York Savings Bond Campaign., By AP
LANGUAGE: ENGLISH

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LEVEL 1 - 3 OF 3 ITEMS

Copyright 1994 The Washington Post
The Washington Post

April 15, 1994, Friday, Final Edition

SECTION: FIRST SECTION; PAGE A4

LENGTH: 397 words

HEADLINE: After Spring Recess, Leach Sees Need for 'Respite' on Whitewater

SERIES: Occasional

BYLINE: Susan Schmidt, Washington Post Staff Writer

BODY

Rep. Jim Leach (R-Iowa) said yesterday that he saw no need for Congress to rush hearings into the Whitewater affair although he said he still believes they are necessary.

In comments Wednesday at the meeting of the American Society of Newspaper Editors, Leach said a public "respite" on the issue might be in order. His comment buoyed advisers to President Clinton, who believe such breathing room will take the pressure off congressional Democrats to hold early, extended hearings and produce low-profile ones, if that.

Leach, who is leading the Republican congressional investigation of the issue, said yesterday he did not intend to suggest that hearings should not be held, only that they need not be scheduled immediately.

"It doesn't really matter whether it's this month, next month or the following month, but there still should be a hearing," Leach said yesterday.

But he and other Republicans have returned from their spring recess convinced that voters do not want Whitewater hearings to interrupt the rest of the work before Congress.

Leach appeared to be suggesting a strategy counter to that put forth by Senate Minority Leader Robert J. Dole (R-Kan.), who said over the weekend that Congress should hold up legislation until dates for Whitewater hearings are set.

Leach said that he believes it might be better to have hearings after special counsel Robert B. Fiske Jr. releases a report on recent White House contacts with regulatory officials investigating Whitewater and Madison Guaranty Savings & Loan. That report is scheduled for release sometime this spring.

Leach repeated his contention that the White House is prolonging the Whitewater ordeal by "dribbling" out information, rather than disclosing all the facts about the real estate venture. The Clintons were joint owners of the land investment with James B. McDougal, Madison's owner.

One Republican congressional source said yesterday that some House

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Republicans, in particular, "took a little heat over the recess on pushing Whitewater to the point of gridlock, and there is some sentiment to chill out a little, see what happens before getting too upfront on it."

An adviser to Clinton said the White House detects an easing off by Republicans that the president's supporters interpreted -- perhaps more in hope than in reality -- as the heat of Whitewater significantly decreasing.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 15, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
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April Brelaw
James Igo
Carl Gamble
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: April 26, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are two (2) news article from Nexis, relating to Madison Guaranty, dated April 25, 1994.

LEVEL 1 - 1 OF 2 ITEMS

Copyright 1994 The Times Mirror Company

Los Angeles Times

April 18, 1994, Monday, Home Edition

SECTION: Part A; Page 1; Column 3; National Desk

LENGTH: 968 words

HEADLINE: WHITE HOUSE TO PUSH TOUGHER VIEW OF MCLARTY

BYLINE: By PAUL RICHTER, TIMES STAFF WRITER

DATELINE: WASHINGTON

BODY

Top Clinton Administration officials have mounted a quiet effort to counter perceptions that Chief of Staff Thomas (Mack) McLarty lacks firm control over the White House staff or necessary knowledge of some policy debates.

Worried that such views may reinforce Whitewater-fed perceptions of a White House in disarray, aides are trying to show off McLarty's firm side, increase his visibility and publicize support from his boyhood friend, President Clinton.

McLarty has always been more of a coordinator-in-chief than an autocratic taskmaster, in keeping with his boss's preference. But some recent events, including White House officials' response to the Whitewater controversy, have suggested that the former utility company executive is simply not in the loop on some key issues.

That, in turn, "reinforces this idea that the place has no focus," one White House official said. With the White House now needing to summon all its influence for looming fights on health care reform and other legislation, "that's not good for the President," the official added.

Some White House allies on Capitol Hill say the matter points to a broader issue of whether the White House's decentralized organization is best suited to getting things done. They say that while the system may foster a free flow of policy ideas, it often makes it impossible for outsiders to pin down definitive Administration positions without talking to the President himself. Even congressional committee chairmen have sometimes felt the need to try to call Clinton, they say.

An outside adviser to the White House, saying aides have recently become more concerned about the perception of organizational drift, predicted that the effort to promote McLarty would be aggressive. Officials said these efforts have already been under way for a number of weeks.

White House aides have been promoting news stories that portray McLarty as asserting stronger control over staff operations. When McLarty recently warned staff members in blunt terms not to meddle in the Whitewater probe, aides made

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sure the exchange was publicized.

Another sign of the effort came during a photo session set up last Monday to record a meeting of the National Security Council and the White House senior staff. McLarty, who is seldom at the center of gatherings of senior foreign affairs staff, was seated next to Secretary of State Warren Christopher.

Events of recent weeks have brought repeated suggestions that McLarty was somewhat removed from White House deliberations.

When questions surfaced last month about contacts between some senior White House staff members and the federal regulators overseeing Madison Guaranty Savings & Loan, the failed thrift at the center of the Whitewater case, McLarty turned out to be uninvolved. And he was not among the parade of top aides subpoenaed to talk to a federal grand jury about the conversations.

Arguably, this reflected well on McLarty. But it also suggested that he was at a certain distance from one of the White House's primary preoccupations, some White House aides acknowledge.

Somewhat the same impression was created by disclosures that about a third of White House aides had so far failed to arrange permanent White House passes, and that many had not received security clearances for access to secret information.

Though not a major issue, McLarty had sent letters to some inquiring lawmakers over the previous half-year assuring them that efforts to complete the work were on time and following procedures.

The incident suggested that McLarty had been unaware of a bottleneck in the White House counsel's office.

McLarty, unfailingly courteous and well-liked by the White House staff, has said from the beginning that his role is not to direct policy-making but to make sure that he knows of key events and to keep the process running smoothly.

He has had a special role as chief White House emissary to corporate leaders and some senior members of Congress, especially conservative Democrats. He provides Clinton the benefit of his counsel, which last summer included a recommendation that David Gergen be hired to help lift the White House from the doldrums of its first rocky months in office.

Philip Lader, a deputy White House chief of staff, said that under McLarty's leadership, the White House has adopted a non-hierarchical management style that many businesses, such as software giant Microsoft Corp., have found to be the best way of coping with their fast-changing markets.

One White House adviser said that Harold M. Ickes, a deputy White House chief of staff, has begun helping McLarty run a more assertive command.

But others disputed this, insisting that there had been no operational change and that McLarty is doing precisely as the President wishes.

The issue of the chief of staff's management has caused a division among White House aides. Several ventured the view that Clinton may sooner or later feel the need to bring in a different kind of chief. But many others doubted the

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President would consider such a move.

In any event, several agreed that the chances of any change would remain low during the course of the Whitewater matter because an ouster could be read by outsiders as an indication that the troubles were taking a heavy toll on the White House.

Some officials say the problem is complicated by McLarty's reluctance to take credit for what he does accomplish, a habit that tends to place him in the background.

Some White House advisers say the Administration's accomplishments show the issue of organization is irrelevant in any case.

"George Bush had a very tightly disciplined, well-ordered White House," said Paul Begala, a political consultant and White House adviser. But, on domestic affairs, at least, "he didn't do anything."

GRAPHIC: Photo, Thomas (Mack) McLarty. Los Angeles Times

LANGUAGE: ENGLISH

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LEVEL 1 - 2 OF 2 ITEMS

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HEADLINE: Fiske homes in on loan ;
Could provide link to Clinton

BYLINE: Jerry Seper; THE WASHINGTON TIMES

DATELINE: LITTLE ROCK, ARK.

BODY

LITTLE ROCK, Ark. - Investigators in the Whitewater-Madison affair have targeted an $825,000 loan from Madison Guaranty Savings and Loan Association as part of a suspected scheme to guarantee a questionable government-backed loan linked to President Clinton.

Madison, owned by longtime Clinton business partner James B. McDougal, approved the loan in 1986 for a partnership controlled by ex-Little Rock municipal Judge David L. Hale - at the same time Hale was giving Mr. McDougal's wife a $300,000 Small Business Administration-guaranteed loan, according to investigators.

The loan was deposited in an account at Madison. Later, $110,000 of it was transferred to the Whitewater Development Corp., a northern Arkansas real estate venture jointly owned by Mr. Clinton, Mr. McDougal and their wives, and was used to purchase property.

Hale, who pleaded guilty last month to two counts of fraud in a case involving unrelated SBA-approved loans, has agreed to testify for Special Counsel Robert B. Fiske Jr. in the Whitewater-Madison probe. He has said Mr. Clinton and Mr. McDougal pressured him for the SBA-backed loan during meetings in February and March 1986.

The loan to Mrs. McDougal was made on April 3, 1986. Records show the Madison loan to Hale was first discussed in February 1986 and formally approved on March 3, 1986.

Investigators said if it can be shown the $825,000 Madison loan was intended to provide capital for Hale's lending company to facilitate the SBA-backed loan to Susan H. McDougal, it would go "a long way" toward corroborating Hale's claim that he was pressured for the money.

"The purpose of the Madison loan was quite obviously to provide working capital to Hale's company," said one federal investigator who has reviewed

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Madison's loan records. "It was a classic case of replenishing the well, precisely at a time the well needed to be replenished."

Neither loan was repaid, and both later became taxpayer debts when Madison failed in 1989 at a cost to the government of $50 million.

Mr. McDougal, who was removed by federal banking regulators from his chairmanship at Madison in the summer of 1986 but remained as the owner, has denied any wrongdoing. He has described accusations by Hale that he pressured the former judge for a loan as "ridiculous" and has told reporters he never met with Hale to discuss any loan to his wife.

Mrs. McDougal has said she does not recall the loan.

Mr. Clinton has said he and his wife did nothing wrong with regard to Madison or Whitewater. He said they were "passive investors" in the Whitewater partnership and had no knowledge or information about Mr. McDougal's dealings with the S&L. The president also has said he did not "recall" any meeting with Hale about an SBA-backed loan for Mrs. McDougal.

Investigators said the $825,000 loan - to a Hale-controlled partnership called Southern Foods Inc. to fund property purchases - appears to have been structured to give Hale sufficient operating capital to convince SBA officials that a lending company he owned, Capital-Management Services Inc., was solvent.

Capital-Management was licensed by the SBA in September 1978 as a specialized small-business-investment firm, giving it access to government-backed loans for "disadvantaged small businesses."

A solvency determination for Capital-Management by the SBA in 1986 enabled Hale to make the SBA-backed loan to Mrs. McDougal, investigators said. The money was to be used for an advertising firm wholly owned by Mrs. McDougal and known as Master Marketing Inc.

The government-guaranteed loan to Mrs. McDougal came at a time she and her husband were reporting assets of $3 million. In a Jan. 27, 1986, financial statement, the McDougals claimed stock assets of $1.95 million, a home in Little Rock valued at $400,000, "automobiles and personal property" worth $70,000 and other partnerships and property.

At the time of the $825,000 loan, records show Capital-Management had insufficient funds to convince the SBA it should guarantee any additional loans by the company. Records show the firm was in need of an infusion of cash in order for the government to make available about $1 million in guaranteed loan revenue.

Hale, who has been unavailable for comment since a plea agreement he signed with Mr. Fiske last month, told The Washington Times earlier this year that because Capital-Management had insufficient funds to make SBA-guaranteed loans, he and Mr. McDougal worked out a loan agreement to guarantee government backing.

He said Mr. McDougal arranged for the $825,000 loan through Southern Foods, a Little Rock company that Hale controlled. However, details of this phase of

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the loan arrangement are unclear.

The loan, according to Hale, later was routed to Capital-Management, where it was listed as cash-on-hand to persuade the SBA to authorize additional loans.

"In 1986, the government had begun to look very closely at Madison, and it was not the best time for the S&L to be making loans to itself or its officers," an investigator who reviewed the S&L's loan documents told The Washington Times last week.

"This arrangement with Southern Foods certainly would have attracted less attention than a loan directly to Mrs. McDougal's company."

Mrs. McDougal was a board member at Madison and also served as secretary and treasurer. While her husband controlled 65 percent of the S&L's outstanding stock, she held 13 percent.

Hale said Mr. McDougal and Mr. Clinton - both longtime friends and political allies - told him they needed cash to "clean up" financial problems at Madison.

The former judge said, in their meetings, neither man mentioned Whitewater, although Mr. Clinton, who ordered that his name not appear on any documents, said he could provide security for the loans with property in the Arkansas Ozarks, where the Whitewater project was located.

Hale's attorney, Randy Coleman, said the loan to Mrs. McDougal was made after Mr. Clinton, Mr. McDougal and his client decided she could qualify because she was a woman. He said the decision to use Mrs. McDougal was an effort to "put the best face possible on the loan and avoid regulatory problems."

Mr. Fiske is looking into accusations that Mr. McDougal, who bought Madison in 1982, approved fraudulent loans and diverted money to Mr. Clinton's 1984 gubernatorial campaign. He also is looking into suspicions by the Resolution Trust Corp. that Mr. McDougal illegally diverted funds from Madison to Whitewater.

The RTC, which oversees failed S&Ls, said Mr. McDougal may have routed depositor funds from Madison using overdrawn accounts and Madison-approved loans.

Federal investigators have said Hale may be the key to government efforts to unravel the Whitewater-Madison financial web. They said Hale agreed to cooperate after concluding the Fiske probe "was a complete investigation."

In court papers, Mr. Fiske described Hale's assistance and grand jury testimony as "a fundamental part" of the ongoing Whitewater-Madison probe. His cooperation is expected to earn him a reduced sentence.

Documents describing the loan to Mrs. McDougal were included in those seized by the FBI during a July 21 raid on Capital-Management.

In September 1993, Hale was accused by a federal grand jury in Little Rock of defrauding the government in a similar but unrelated loan scheme. In that

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case, to which he pleaded guilty, Hale was charged with borrowing $800,000 from a Louisiana businessman and routing it to Capital-Management to qualify for SBA-backed loans. Once the SBA backing was assured, the money was returned to the lender.

Hale, who was appointed to the bench in 1979 by Mr. Clinton, resigned after being charged.

The $825,000 loan to Hale is not the first time Mr. McDougal and the former judge have been involved in loan transactions. Records show Hale loaned hundreds of thousands of dollars in SBA-backed funds to businesses and developments tied to Madison - several involving Mr. Clinton's friends and associates. Most of the loans were never repaid.

Five SBA-backed loans by Cap-i-tal-Management totalling more than $814,000 were among the records taken during the FBI raid on Hale's office. All of the loans were authorized under government guidelines guaranteeing they went to individuals who could not "obtain financial and other assistance available to the average entrepreneur."

****BOX

ARKANSAS SHUFFLE?

Investigators are trying to determine if an $825,000 loan from Madison Guaranty Savings and Loan Association to Southern Foods Inc., a company controlled by David L. Hale, was used as capital for a $300,000 government-guaranteed loan, part of which ended up in the Whitewater Development Corp.

GRAPHIC: Photo (color), Cooperating: David L. Hale says Gov. Clinton pressured him for the loan in 1986., From Arkansas Democrat-Gazette ; Box, ARKANSAS SHUFFLE?, By Greg Groetsch/The Washington Times

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 18, 1994

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EXECUTIVE BRANCH

House OKs Whitewater Inquiry; Clinton Deflects New Charges

As Leach takes the floor with a fresh list of accusations, the president strongly denies any wrongdoing

Trying to lift his presidency out of the political morass that has come to be known as Whitewater, President Clinton made his most extensive and public accounting to date. But his comments came amid fresh accusations of political meddling and a continuing debate on Capitol Hill over the proper timing and scope of congressional hearings into the Whitewater affair.

"I know that many people around America must believe that Washington is overwhelmingly preoccupied with the Whitewater matter," Clinton said at a March 24 news conference designed to help clear the air about the Arkansas land venture in which the Clintons invested 15 years ago. "But our administration is preoccupied with the business we were sent here to do for the American people." *(Text, p. 758)*

Clinton's remarks came as his chief congressional nemesis on Whitewater, Republican Rep. Jim Leach of Iowa, took to the House floor to present several new allegations. *(Excerpts, p. 762)*

Meanwhile, the House of Representatives passed a resolution calling for hearings, and Senate leaders positioned themselves for a coming tussle over the appropriate venue for a congressional inquiry into the affair.

If there was a pattern to be discerned from the tangle of shifting interests and new allegations, it could be traced to the final evaporation of any doubt, even among Democratic lawmakers, that Congress has a central role to play in sorting out the controversy.

"The American people have the right to know the facts," said House Majority Leader Richard A. Gephardt, D-Mo. "Congress has an obligation to try to provide these facts."

Leach, as the ranking Republican on the House Banking Committee, was anxious to get his version of the facts on the record. Rising in the House on March 24 on a "point of personal privilege," he described a host of alleged improprieties surrounding the Clintons' Whitewater land investment and its links to a failed Arkansas thrift, Madison Guaranty Savings and Loan. *(Story, p. 721)*

By Andrew Taylor

REUTERS

Clinton at his March 24 news conference: Despite distractions, he is "preoccupied with the business we were sent here to do."

Most notably, Leach asserted that:

- Money from the Madison thrift was illegally funneled into Whitewater Development Co., which was a 50-50 real estate venture between then-Gov. Bill Clinton and Hillary Rodham Clinton and James B. McDougal, the owner of Madison.
- The Clintons made money on their Whitewater investment, contrary to their repeated assertions that they had lost money on the deal.
- Federal officials seeking to protect Clinton interfered with banking regulators probing into Madison and Whitewater.

To accompany his speech, Leach released a stack of documents that buttressed some, but not all, of his allegations.

In rebuttal, Clinton again said that he has "absolutely no knowledge" about the possibility that any money from a failed Arkansas thrift may have flowed into his Whitewater land investment or his 1984 gubernatorial campaign.

But the president did acknowledge that he and Hillary Clinton lost about $20,000 less on their Whitewater investment than the almost $70,000 they originally had claimed.

Oversight Hearing Canceled

Clinton's and Leach's comments capped a week in which various congressional players continued to push and pull over how Congress should deal with the burgeoning Whitewater affair.

The week of March 21 started off on a sour note, with House Banking Committee Chairman Henry B. Gonzalez, D-Texas, announcing that he was postponing a long scheduled March 24 oversight hearing on the thrift bailout. Leach had been planning to use the legally mandated hearing on the Resolution Trust Corporation (RTC), the agency in charge of cleaning up the wreckage of failed thrifts, to probe into Whitewater-related matters. And Leach planned to take advantage of a little-used House rule that would allow Republicans to call their own witnesses during a second day of hearings at some future date.

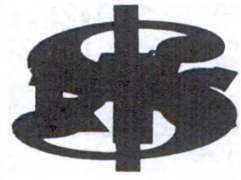
Gonzalez, who had signaled his intent to disallow Whitewater questions, fired off a letter to Leach, blasting his plans to turn the hearing into a "prosecutorial or judicial adventure."

Interference With RTC Probe Alleged

In documents supporting his March 24 statement on the House floor, Rep. Jim Leach, R-Iowa, produced new allegations that raise the stakes in the Whitewater affair. He has yet to directly link any irregularities to the White House. But revelations regarding pressure brought to bear on thrift regulatory officials raised questions about possible political interference.

The Resolution Trust Corporation (RTC), the thrift cleanup agency that conducted the initial investigation into Madison Guaranty Savings and Loan, has supplied to Leach a series of internal communications regarding the failed thrift and its ties to the Whitewater land deal in which the Clintons were co-investors with Madison owner James B. McDougal.

Based on those documents, which detail extensive contacts between RTC field investigators and other more senior federal officials, it is clear that the Madison/Whitewater affair was a matter of extreme political sensitivity.



A key document released by Leach contains notes of a Feb. 2 conversation between L. Jean Lewis, the former lead RTC investigator into Madison based in Kansas City, Mo., and senior RTC attorney April Breslaw, based in Washington.

In the notes, Lewis alleges that Breslaw told her the "people at the top" of the RTC, including acting Deputy Chief Executive Officer Jack Ryan, would like to be able to say that the Whitewater land venture did not cause a loss to the Madison thrift. However, Lewis said she believes that "losses to Madison from the Whitewater account would easily exceed $100,000."

Breslaw denied the version of events given by Kansas City investigators, categorically stating that officials at the RTC in Washington were not looking for any particular outcome.

Leach also charged that Washington RTC officials improperly muzzled RTC staff working on the Madison case out of the RTC's Kansas City office. He said that senior Washington-based agency officials attempted to block investigators from the Kansas City office from speaking to lawyers for special counsel Robert B. Fiske Jr. without the permission of Washington RTC officials. In addition, Leach said, top RTC officials instructed that any distribution of information regarding the Madison case be handled through the Washington office.

"The independence of the U.S. government's regulatory system has been flagrantly violated in an effort to protect a single American citizen," Leach said, referring to President Clinton. *(Excerpts from Leach speech, p. 762)*

However, Leach stopped short of charging that the White House had directly exerted any influence over the RTC's investigation.

At a March 24 news conference, Clinton said, "I have had absolutely nothing to do, and would have nothing to do with any attempt to influence an RTC regulatory matter." *(Text, p. 758)*

Contacts Between RTC and Justice

Leach also released RTC documents describing contacts between agency investigators and Justice Department officials on the criminal referrals prepared by the RTC and sent to Justice for possible action.

According to an internal RTC chronology, the agency drafted an initial criminal referral in mid-1992, but neither the Bush nor the Clinton Justice Department acted on it; nine additional criminal referrals involving Madison were transmitted to Justice in October 1993.

Based on multiple conversations between the RTC's Lewis, who had been handling the Madison case, and various Justice Department officials, it appears that the Madison referral was being very delicately handled within the Justice Department.

Lewis had several conversations with Justice officials regarding the status of the initial referral and about the manner in which Justice was treating the case. A central question was whether U.S. Attorney Paula J. Casey, a Clinton appointee, would recuse herself from the case. Initially Casey declined to recuse herself, but she relented once the Whitewater controversy began last fall — after she had decided that the original referral contained "insufficient information" to warrant further action by Justice.

Said Lewis in a document she prepared Jan. 6, 1994: "It's beginning to sound like somebody or multiple 'somebodies' are trying to carefully control the outcome of any investigation surrounding the RTC referrals, and that the beginnings of a cover-up may have already started months ago."

—Andrew Taylor

Gonzalez also wrote a March 21 letter to House Speaker Thomas S. Foley, D-Wash., calling GOP accusations on Whitewater "half-truths, old rumors, half-baked conspiracy theories and outright lies" and calling for a full set of hearings before a select committee. The outburst prompted criticism from Republicans and dismay from House Democratic leaders, who had been hoping that negotiations with Republicans would lead to a bipartisan agreement to delay the March 24 hearing.

The next day, Foley, House Minority Leader Robert H. Michel, R-Ill., and others met to talk. First, Republicans received assurances from Foley that the RTC hearing would go forward and that the GOP's right to a second day of hearings would be protected. Then they sealed a deal on a sense-of-the-House resolution (H Res 394) that called upon the two leaders to discuss when congressional hearings might be held. The House passed the resolution by a 408-15 vote. *(Vote 78, p. 764)*

The Senate adopted a virtually identical measure on a 98-0 roll call

The Intellectual and the Scrapper

It's hard to find two members of Congress whose styles are as different as those of Rep. Jim Leach and Sen. Alfonse M. D'Amato, who are leading the Republican charge in probing the Whitewater land deal that has generated so much controversy in recent weeks.

Leach and D'Amato are in the spotlight because of their positions as the top Republicans on the House and Senate Banking committees, respectively.

House Republicans think that in Leach, a soft-spoken Iowa intellectual known for his careful consideration of issues, they have the perfect point man on Whitewater.

Jim Leach

Alfonse M. D'Amato

But some of D'Amato's Senate colleagues are not so sure that the tough-talking, fiercely partisan New Yorker — who has had ethical scrapes of his own — is the right man for the job. Their concern is heightened by some top Democrats' stated desire to see Whitewater hearings held in the Senate Banking Committee — in part because it would showcase D'Amato's abrasive style. *(Story, p. 720)*

Leach's deliberations frequently lead to moderate positions that are out of sync with the Republican mainstream. While his reputation for not being partisan is perhaps exaggerated, he is anything but a bomb-thrower. "He's very judicious in his temperament," said Minority Leader Robert H. Michel, R-Ill.

Nonetheless, Leach recently has shown that he is capable of delivering a strong political punch, even if it is with a velvet fist. His 45-minute speech on the House floor March 24 provided a carefully reasoned savaging of the way Congress and the administration have handled Whitewater inquiries. Leach said that the way Democrats have responded to Whitewater may be more important than the scandal itself. "In a nutshell, Whitewater is about the arrogance of power — Machiavellian machinations of single-party government," he said.

D'Amato, for his part, has a rough-and-tumble style that sometimes alienates his Senate colleagues, even as it produces results for his 18 million New York constituents. It was D'Amato's almost daily drumbeat of attacks that led to the naming of special counsel Robert B. Fiske Jr. and resulted in the Senate's adoption of a resolution calling for hearings into Whitewater.

D'Amato was rebuked in 1991 by the Ethics Committee for running his Senate office in an "improper and inappropriate manner." In that case, D'Amato's office sent letters over his signature to the Defense Department in behalf of Unisys Corp., which was a client of D'Amato's brother Armand.

Contrasting Styles

Leach is given to starting sentences with the word "philosophically," and he invariably refers to Republicans as "the minority." D'Amato is frequently referred to as "Senator Pothole" for his attention to constituent service.

Leach has been conducting his own investigation into Whitewater, and he has immersed himself in the facts of the case. Though many Democrats would dispute it, Leach insists that his motivation is oversight, not political gain. "It is the responsibility of all minority parties in all Western democracies to hold accountable the majority or governing party when there are breaches of public ethics," he said.

While D'Amato is not delving into the minutiae of Whitewater, he is still getting some results. He drew out Deputy Treasury Secretary Roger C. Altman at a Feb. 24 Banking Committee oversight hearing on the thrift bailout, getting Altman to acknowledge that he had met with White House officials on a Whitewater-related matter.

"Listen. That's my style. I have found it to be effective. And I can't change. And I wonder if I attempted to [change], how effective I would be," D'Amato said. "The fact is that my pugnacious style led us to establish . . . the improper contacts" between regulators and White House officials.

—Andrew Taylor

March 17. *(Weekly Report, p. 654)*

The final result pleased House Democratic leaders, who were eager to erase the appearance of Democratic stonewalling on Whitewater.

Dole Outlines Options for Inquiry

In the Senate, preliminary communications took place between Majority Leader George J. Mitchell, D-Maine, and Minority Leader Bob Dole on how to go about structuring hearings into Whitewater.

Dole said he believes hearings should begin by May 1. The initial round of hearings is likely to focus on allegedly improper meetings between White House aides and Treasury Department officials over the probe. The key factor in the timing of the hearings is making certain that they do not interfere with the probe being conducted by special counsel Robert B. Fiske Jr. A slew of Treasury and White House officials have received subpoenas and have been testifying before a Washington-based federal grand jury on Whitewater.

Fiske has told members that he believes he can wrap up the portion of his probe relating to the White House-Treasury contacts by June 1.

Dole sent Mitchell a letter March 22 that outlined potential options for hearings. According to a source who has seen the letter, Dole outlined four possibilities.

One option would be a so-called special committee that would include

members from each of the committees with a claim to jurisdiction over Whitewater. These presumably would include members of the Banking, Government Operations, Small Business and Judiciary committees, and perhaps others. The committee would be headed by two co-chairmen appointed by Mitchell and Dole. This appears to be Dole's preferred route: he touted the idea to reporters March 22.

Another possibility outlined by Dole would be to have every committee with an interest in Whitewater hold its own hearing, but only after Democrats and Republicans agree on what the appropriate scope of inquiry for each respective committee would be.

The third possibility would be a select committee, in which each member would be selected by the leaders. This would require passage of a Senate resolution establishing the committee.

The fourth option — and one that Dole has said is not the preferred approach — would be to conduct joint hearings with the House, similar to the 1987 hearings into the Iran-contra affair.

Mitchell and Dole have not yet met to discuss the issue, but it was clear that the idea of a "special committee" would meet resistance.

"Dole has suggested a number of options. I have stated that this is plainly a matter within the jurisdiction of the [Senate] Banking Committee," Mitchell said. "So far, no one has presented me with an argument that is persuasive as to why the Banking Committee should be displaced or removed from consideration."

One of the reasons Mitchell wants the matter handled by Banking is that several of the committee's Republicans, such as Alfonse M. D'Amato of New York and Phil Gramm of Texas, are political firebrands. At the same time, some Senate Republicans have expressed nervousness about the prospect of having D'Amato lead the way.

"It has its [political] advantages, clearly," said one prominent Democrat of the prospect of having the hearings held before Banking. "But it's also historically where these kinds of proceedings have been handled."

Ironically, a reverse situation exists in the House, where many Republicans view the Banking Committee as a favorable venue that would highlight the contrasts between the mercurial Gonzalez and the professorial Leach. ■

THE BUDGET

Senate Approves '95 Budget Requiring Further Cuts

Hawks fail in bid to spare Pentagon from sharing in $26 billion reduction over five years

In adopting a budget resolution for fiscal 1995, the Senate proved itself determined to reduce the deficit more than President Clinton or Senate Democratic leaders want, even if that means cuts in the defense budget.

The Senate did not try to drop $26.1 billion in additional five-year spending cuts ordered a week earlier by the Budget Committee. And it beat back repeated attempts to shield defense from the cuts.

"It's bizarre," said a frustrated Armed Services Chairman Sam Nunn, D-Ga., who fought in vain to spare defense in a series of votes he called "devoid of logic."

But staunch defense hawks said they would risk defense cuts if that was the price of another shot at the deficit.

Jim Exon, D-Neb., a chief sponsor of the additional cuts, said the resulting fiscal 1995 reduction in defense probably would amount to less than $1 billion out of the Pentagon's budget of some $271 billion. "Is there anybody in their right mind who thinks they can't find that much? Of course they can," he said.

After resolving to preserve the extra deficit reduction, the Senate adopted the $1.5 trillion 1995 budget resolution (H Con Res 218) on March 25 by a vote of 57-40 and sent it on to a conference with the House. The House version of H Con Res 218 complied with Clinton's wishes by including none of the extra deficit reduction approved by the Senate.

That sets up a showdown between the two bodies over a relatively small amount of money.

The $26.1 billion in outlays the Senate voted to cut from appropriations over the next five years is less than 1 percent of the $2.7 trillion in discretionary spending projected for 1995-99. The first-year cut of $1.6 billion is barely 0.3 percent of all discretionary spending for 1995.

But the White House has reacted with alarm to the additional cuts for tw reasons. First, discretionary spendin — about one-third of the federal buc get, and the portion over which congre sional appropriators have complete cor trol — is declining. And second, Clinto has vowed to hold the line on defens spending and not to accept addition cuts in military programs.

White House budget director Leo E. Panetta said March 24 the adminis tration is worried about the effect of th cuts on Clinton's "investment" spenc ing plans and on defense, and woul fight in conference against the addi tional deficit reduction.

"It may not be easy . . . but we thin we certainly can either eliminate it c modify it," Panetta said.

Others are not so sure. Rankin Budget Committee Republican Pet V. Domenici of New Mexico said would be difficult for House-Senat conferees to report back significanti

By George Hager

BOXSCORE

Bill: H Con Res 218, S Con Res 63 — Fiscal 1995 budget resolution

Latest action: Senate adopted H Con Res 218, 57-40, on March 25.

Next likely action: Conference committee.

Background: The House and Senate are aiming to have a final budget resolution done by the April 15 statutory deadline. The House adopted H Con Res 218 on March 11.

Reference: Weekly Report, pp. 655, 587, 525, 287; background, 1993 Weekly Report, pp. 3364, 3284.

FOR THE RECORD

PRESIDENTIAL NEWS CONFERENCE

President Seeks To Move Beyond Whitewater

Following are excerpts from the official White House transcript of President Clinton's March 24 news conference. (Story, p. 720)

PRESIDENT CLINTON: . . . Yesterday we were reminded that protecting our democracy and expanding its promise around the world can be costly and dangerous. Here at home we mourn the loss of the servicemen in the tragic aircraft accident at Hope Air Force Base, and we pray for a speedy recovery for those who were injured. This tragedy reminds us that the men and women who serve in the military put their lives at risk in the service of our nation.

In Mexico, an assassin killed Luis Donaldo Colosio, the presidential candidate of the Institutional Revolutionary Party. We send our condolences and our prayers to his family. And I urge the Mexican people at this difficult time to continue their strides toward economic and political reform and progress.

With the Congress beginning its Easter recess tomorrow, this is a good time to assess the real work we are getting done on behalf of the American people. We're moving forward on our economic plan. The budget now moving through Congress, when passed, will give us three consecutive years of deficit reduction for the first time since Harry Truman was president. In 1995, we'll have the lowest budget deficit as a percentage of our annual income of any of the major industrialized countries. A recovering economy produced 2 million jobs last year, and we're on track to create 2 million more in '94.

Around the world America's efforts have helped to bring much needed calm to Sarajevo and led to an important political accord between the Bosnian Muslims and Croats. Our call for restraint has helped to start talks again in the Middle East. We will continue our efforts to stop North Korea's nuclear program and to seek progress on human rights in China, working to build a more positive relationship with that very important nation.

This Friday, a week ahead of schedule, our troops will return home from Somalia. Because of their courageous efforts, Somalia can now build its own future, a step it made in the right direction today with the accord between the leaders of the two largest factions in that country.

Since we came here, our country has been moving in the right direction. Just today, the House of Representatives passed our legislation to limit the influence of lobbyists. Our administration is completing work on a comprehensive welfare reform proposal. We have presented to the Congress our very important re-employment proposal, to change the unemployment system to provide immediate retraining to those who lose their jobs. In a few days, with bipartisan support, the country will have an education reform law that sets national standards for our public schools. In a few weeks, Congress will pass a crime bill and put more police on the street, tougher gun laws on the books and make "three strikes and you're out" the law of the land.

Speaker [Thomas S.] Foley [D-Wash.] assured me last night that the crime bill will be item No. 1 on the agenda of the House when it returns to work. And in a few months we will succeed in passing health care reform. Just yesterday, the House Subcommittee on Health passed legislation to provide health security for every American. And while there will be lots of twists and turns in the legislative process, this year Congress will pass, and I will sign a health reform which guarantees health care security to every American that can never be taken away, with the right to choose a doctor, with a plan that outlaws insurance abuses — no dropping coverage or cutting benefits; no more lifetime limits; no more raising rates just because someone in your family has been sick or some are older than others. We want to preserve and strengthen Medicare and we believe in this administration that those health benefits should be guaranteed to the workplace, building on what works today.

I know that many people around America must believe that Washington is overwhelmingly preoccupied with the Whitewater matter. But our administration is preoccupied with the business we were sent here to do for the American people. The investigation of Whitewater is being handled by an independent special counsel whose appointment I supported. Our cooperation with that counsel has been total. We have supplied over 14,000 documents, my tax returns dating back to 1978, and made available every administration witness he has sought.

I support the actions of the House and the Senate, clearing the way for hearings at an appropriate time that does not interfere with Mr. [special counsel Robert B.] Fiske [Jr.]'s responsibilities. And I will fully cooperate with their work as well. Tomorrow I will make available my tax returns dating back to 1977, when I first held public office. Cooperation, disclosure, and doing the people's business are the order of the day.

This is the best moment we have had in decades to do the hard work on so many issues that affect not only our own progress and prosperity, but the very way we think about ourselves as a nation. The American people should know that I and my administration will not be distracted. We are committed to taking advantage of this rare moment and achieving these important goals.

Tax Returns

Q: Mr. President, you just said that you would release your taxes — tax returns back to 1977. Questions also have been raised about whether you made money or lost money in your Whitewater investment. Do you still believe that you lost about $70,000? And do you have any reason to believe that you owe any back taxes?

P: I am certain that we lost money. I do not believe we owe any back taxes. If it is determined that we do, of course, we will pay. I am now sure that we lost something less than $70,000, based on an interview I heard on television — or I heard about on television — with Jim McDougal with one of the networks, where he said that he felt that one of the loans I had taken from a bank where we also borrowed money for the land development corporation, he said he thought one of those was a personal loan.

And so I started racking my brain to try to remember what that might have been, and by coincidence, I was also rereading the galleys of my mother's autobiography, just fact-checking it, and I noticed that she mentioned there something that I had genuinely forgotten, which is that I helped her to purchase the property and what was then a cabin on the place that she and her husband, Dick Kelley, lived back in 1981, and that I was a co-owner of that property with her for just a few months. After they married, he bought my interest out.

So that's where that — I borrowed the money to go into that investment. I paid the money back with interest. That was unrelated to Whitewater. All the other losses that we have documented to date we believe clearly are tied to the investment Hillary and I made in Whitewater. So we, in fact, lost some $20,700 less than the [Clinton-sanctioned] Lyon's report indicated because that loan came from a different place.

And then — or came for different purposes. And there was another $1,500 payment I made on it. So whatever the total in the Lyon's report was, you should subtract from that $20,700 and another $1,500. And we believe we can document that clearly.

Tomorrow, my counsel, David Kendall, will brief the press on the evidence that we have, what's in the tax returns. You will see when you see the tax returns that those losses were clearly there. And he will be glad to

support it with other information as well.

Q: Mr. President, do you know of any funds, any money — Whitewater seems to be about money — having gone into any of your gubernatorial campaigns or into Whitewater, particularly federally insured money? Do you know of any money that could have gone in?

P: No. I have no knowledge of that. I have absolutely no knowledge of that. . . .

Leach's Charges

Q: Mr. President, Congressman [Jim] Leach [R-Iowa] made some very dramatic charges today. He said that Whitewater is really about the arrogance of power and he didn't just mean back in Arkansas. He said that federal regulators tried to stop investigators for the Resolution Trust Corporation (RTC) in Kansas City from putting Whitewater into their criminal referrals. That would amount to a cover-up and possible obstruction of justice. Do you have any knowledge of that?

P: Absolutely not. And it is my understanding — let me just say this: It's my understanding that Mr. Leach was rather careful in the words that he used and apparently he didn't even charge that any political appointee of our administration had any knowledge of this. So he may be talking about an internal dispute within the RTC from career Republican appointees for all I know.

Keep in mind, until I came here, all the appointees of the RTC were hired under previous Republican administrations. There has never been a Democratic president since there's been an RTC. And I can tell you categorically I had no knowledge of this and was not involved in it in any way, shape or form.

Q: Well, in light of all that's happened so far, Mr. President, do you think you made any mistakes in the initial investment and in the way the White House has handled this?

P: I certainly don't think I made a mistake in the initial investment. It was a perfectly honorable thing to do, and it was a perfectly legal thing to do. And I didn't make any money; I lost money. I paid my debts. And then later on, as you know, Hillary and I tried to make sure that the corporation was closed down in an appropriate way and paid any obligations that it owed after we were asked to get involved at a very late stage, and after Mr. McDougal had left the S&L. So I don't think that we did anything wrong in that at all. And I think we handled it in an appropriate way. We were like a lot of people — we invested money and we lost.

I'd be the last person in the world to be able to defend everything we've done here in the sense that whatever we did or didn't do has sparked an inordinate amount of interest in a 16-year-old business venture that lost money. But to suggest — let me just say again, I have had absolutely nothing to do, and would have nothing to do, with any attempt to influence an RTC regulatory matter. And I think if you look at the actions of the RTC just since I've been president and you examine the facts that everybody that works there was appointed by a previous Republican administration, the evidence is clear that I have not done that.

Q: Mr. President, you've been kind of tough at times on people you felt made out during the '80s and didn't pay their fair share. Can you tell us, sir, tonight that you have abided by the very high ethical standards —

P: Absolutely.

Q: — to which you've sought to hold others? And also, sir, if it turns out that you do owe something in back taxes, will you be prepared perhaps to revise some of those judgments you've made about others?

P: No, not at all. I ask you to tell the American people what percentage of my income I paid in taxes in every year where I reported my tax returns. And let me tell you what my wife and I spent the '80s doing — I was the lowest-paid governor of any state in the country. I don't complain about it; I was proud of that. I didn't do it for the money. I worked on creating jobs and improving education for the children of my state. Every year I was governor, my wife worked in a law firm that had always done business with the state. She never took any money for any work she did for the state. And, indeed, she gave up her portion of partnership income that otherwise came to the firm and instead every year gave an enormous percentage of her time to public service work — helping children and helping education, and doing a lot of other things — giving up a lot of income.

Now, we did that because we wanted to. The fact that we made investments, some of which we lost money on, some of which we made money on, has nothing to do whatever with the indictment that I made about the excesses of the '80s. And we always made every effort to pay our taxes. I would remind you that we, like most middle-class folks, we turned our records over to an accountant. We did every — I always told the accountant to resolve all doubts in favor of the government. I never wanted any question raised about our taxes.

When it turned out in our own investigation of this Whitewater business that one year we had inadvertently taken a tax deduction for interest payments when, in fact, it was principal payment, even though the statute of limitations had run, we went back and voluntarily paid what we owed to the federal government. And if it turns out we've made some mistake inadvertently, we will do that again. But I have always tried to pay my taxes. And you will see when you look at all the returns that we've always paid quite a considerable percentage of our income in taxes.

Ethical Standards

Q: During the campaign you said your administration would set a higher standard. Yet, in the travel office case last year, your own chief of staff found some of your aides used their official position to advance their personal interests, while recently we've seen a senior White House official delinquent in Social Security taxes that disqualified others from serving in your administration, and others in the White House neglecting until recently to undergo a security clearance required of other government officials handling classified information. Why, sir, do you think it's so difficult for members of your staff to live up to your campaign promise?

P: First of all, let's deal with those things, each in turn. Now, the finding was not that anybody who worked for me sought to advance themselves personally, financially, in the travel office issue. That was not the finding. We found that the issue had not been well handled. And I might say, unlike other White Houses that stonewalled, denied or delayed, we did our own internal investigation and admitted what mistakes we made and took some changes — made some changes there. I'm proud of that.

Secondly, no one was barred from serving in our administration because they hadn't paid Social Security taxes, but people were barred from serving in presidential-appointed positions that required Senate confirmation unless they complied with administration policy. Mr. Kennedy did not do that entirely, and he has been reassigned. He has been under — he has had a difficult time, and I am convinced that he has done a lot of work that's been very valuable for us. But I think that he should not have done what he did, and I think he should fully pay. He has done that. I think that's what he should have done.

Now, on the White House passes thing, let's just talk about what the facts are. About 90 percent of the people who work here have been through all the clearances. The others are going through the clearances. I learned when I read about this that apparently previous administrations had had some of the same problems. That is, they'd been lax because of the cumbersome nature of the process. So we've now basically put in rules that say that anybody who comes to work here now has to get all this done in 30 days or is immediately on leave without pay. They can't get paid unless they do it. I asked Mr. [Mack] McLarty and Mr. [Lloyd N.] Cutler to fix this and make sure it never happens again. So I feel confident that we have.

But since you raised the issue, let me also ask you to report to the American people that we have and we have enforced higher standards against ethical conflicts than any previous administration. When people leave the White House, they can't lobby the White House. If they're in certain positions, they can't lobby the White House for a long time. If they're in certain positions now, they can never lobby on behalf of a foreign government.

I have supported a campaign finance reform bill that I am hoping the Congress will pass, and I believe they will, which will change the nature of financing political campaigns. I have supported a very tough lobby reform bill which will require more disclosure and more restraint on the part of lobbyists and public officials than ever before. And we will comply with those laws.

So I think our record on balance is quite

good here. And when we make mistakes, we try to admit them — something that has not been the order of the day in the past.

Q: So many things have happened since this Whitewater story broke or resurfaced, depending on your point of view. Your counsel has resigned; a number of your top aides have been subpoenaed because of their contacts with Treasury officials in on the investigation. I'm curious: Who do you blame more than anything else for the Whitewater mess that the administration is in now?

P: Well, I don't think it's useful to get into blame. I think what's important is that I answer the questions that you have that are legitimate questions; that I fully cooperate with the special counsel, which was requested widely by the press and by the members of the Republican Party, and who is himself a Republican — that we fully cooperate. And we've done that.

Sen. [Daniel K.] Inouye [D] from Hawaii pointed out today, he said, I've been experienced in these investigations. He said, you folks have claimed no executive privilege. You've fully cooperated. No one can quarrel with that.

And then I get back to the work of getting unemployment down, jobs up, passing a health care bill, passing the crime bill, moving this country forward. I think the worst thing that can happen is for me to sort of labor over who should blame — who should be blamed for this. There will probably be enough blame to go around. I'm just not concerned about it.

Q: To follow up, sir, do you feel ill-served in any way by your staff?

P: I think on the — I've told you what I think about these meetings. Now, let's go back to the facts of the meetings. We now know that [Deputy Treasury Secretary and acting chief of the RTC Roger C.] Altman's counsel checked with the ethics officer in Treasury before he came over and gave the briefings to the White House. But I have said — so it appears at least that the counsel thought that Mr. Altman had an ethical clearance to come and do this briefing. We certainly know that no one in the White House, at least to the best of my knowledge, has tried to use any information to in any way improperly influence the RTC or any federal agency.

Would it have been better if those had not occurred? Yes, I think it would have been. Do we have people here who wouldn't do anything wrong, but perhaps weren't sensitive enough to how something could look in retrospect [to] people who are used to having problems in a presidency, or used to having people not telling the truth? I think that we weren't as sensitive as we should have been. And I've said before, it would have been better if that hadn't occurred.

But I think the one thing you have to say is you learn things as you go along in this business. None of this, in the light of history, will be as remotely as important as the fact that by common consensus we had the most productive first year of a presidency last year of anyone in a generation. That's what matters; that we're changing people's lives. That's what counts. And I'm just going to keep working on it. . . .

Q: Mr. President, one thing that puzzled a lot of people is why, if you did nothing wrong, did you act for so long as if you had something to hide. And now that you're about to release these documents to the public, your tax records and other things, do you think it would have helped if you had released these documents to the public earlier? Would it have stopped this issue from reaching the proportions that it has?

P: I don't have any idea. But I don't think I acted as if I had anything to hide. After all, I did volunteer — I had already given out my tax returns going back to 1980. And then when — keep in mind, when the furor arose at the request for the special counsel — even though everybody at the time said, well, we don't think he's done anything wrong; there's no evidence that either he or the first lady have done anything wrong; we still think there ought to be a special counsel — I said we would give all this over to the special counsel. It was only after the special counsel had all the information that the people who first wanted the special counsel then decided they wanted the documents as well. So we're making them available.

Perhaps I should have done it earlier, but you will see essentially what I've told you — and things that you basically already know.

Q: Mr. President, you said a few minutes ago that the people in the RTC who are involved in Congressman Leach's allegations are all career Republican officials. But aren't they members of your administration? And do you plan to take any action in speaking to either [Treasury Secretary Lloyd] Bentsen or Mr. Altman about taking action and investigating Mr. Leach's charges?

P: I think the last thing in the world I should do is talk to the Treasury Department about the RTC. You all have told me that that creates the appearance of impropriety. I don't think we can have a — it's not just a one-way street, it's a two-way street. Mr. Leach will see that whatever should be done is done. But I can tell you, I have had no contact with the RTC; I've made no attempt to influence them. And you can see by some of the decisions that they have made that that is the furthest thing, it seems to me, that ought to be on your mind.

Q: Do you abandon all responsibility for a department, a Cabinet department in your government?

P: I haven't abandoned all responsibility. You can't have it both ways; either we can talk to them or we can't. I just think this is a matter of public record now. And Mr. Leach will certainly see to it that it's looked into. He's already said that that's his job, and I'm sure he will see that it is.

First Lady's Role

Q: With so many questions swirling around Whitewater and the Rose law firm, there's some concern that the moral authority of the first lady is eroding as well. Are you reconsidering her role as the point person for health care reform?

P: Absolutely not. Absolutely not. People should not be able to raise questions and erode people's moral authority in this country. There ought to have to be evidence and proof. We live in a time when there is a great deal of question-raising. It seems to be the order of the day. But I know what the facts are, and I'm giving you the facts on this.

Here we just had — all these questions were raised about whether she was properly or improperly representing a client before a state agency — to do something, I might add, that the federal government had asked savings and loans to do — that is, go out and raise more capital to become more solvent. So that's what she was doing in the full light of day in full disclosure.

Now we have, even in retrospect, an imminent national expert saying that she is getting a bum rap. When people ask questions that don't have any basis — I think you should ask whatever questions you want to ask, and I think that we should do our best to answer them. But I think that the 20-year record she made as a lawyer, never before having her ethics questioned, never before having her ability questioned, when everybody who knew her knew that every year she was giving up a whole lot of income to do public business — to advance the cause of children and to advance the cause of our state. No, I don't think so. I think in the end when all these questions get asked and answered, her moral authority will be stronger than it has ever been, because we will have gone through this process and been very forthcoming, as we are, to the special counsel. And then in the end, people will compare how we did this with how previous administrations under fire handled their business. And I think it will come out quite well.

Assassination in Mexico

Q: Mr. President, the assassination of Mr. [Luis Donaldo] Colosio [PRI presidential candidate] today has shaken the financial markets in this country, created doubt about the stability of Mexico. Mexico opens its stock market and banks tomorrow. You said you would help Mexico in this. What can the United States do to help Mexico in these trying times?

P: Well, first of all, let me say, Mexico is a very great country that has made enormous progress economically and politically. There is a lot of ferment and change going on there that is inevitable and that can be very positive. What I think the Untied States can do, first of all, is to tell the rest of the world that we know this about Mexico. They're our neighbors, and we think they have a great future. And we don't expect any long-term damage to come from this terrible personal tragedy and political setback.

Secondly, the only business I did last night on this — and I called President [Carlos] Salinas [de Gortari] as a friend, as well as the president of the United States,

to express my sorrow — the only business I did was to talk to the secretary of the Treasury about what we might be able to do in the event there was some sort of unusual trading against the Mexican currency. And there may be something we can do to step in and stabilize that. As you know, there have been times in the past when our friends have had to come to our aid — the Germans, the Japanese and others have come to our aid when there was unusual trading against the dollar. And we are prepared to try to help the Mexicans if that is necessary. But we hope it won't be....

Whitewater Polls

Q: Increasingly, polls are showing that more and more Americans are unsure whether you acted properly in Whitewater, that maybe you did something wrong. Does that concern you? And when do you think it would be proper for the first lady to answer questions about Whitewater?

P: Well, first of all, let's — does it concern me? Only a little bit. The truth is I am amazed when I read in The New York Times or someplace said that there had been three times as much coverage of Whitewater as there had been of health care. I'm amazed that there hasn't been more change in the polls. I think what the American people are really upset about is the thought that this investment that we made 16 years ago that lost money, that did not involve savings and loans, might somehow divert any of us from doing the work of the country — getting the economy going and dealing with health care and crime and the other issues.

So, in that sense, I think people are right to be concerned. And they want to know that I'm going to answer the questions. A lot of people don't even know, I don't think, that there is a special counsel; that we have fully cooperated; that he has said we have; that the Watergate prosecutor, Sam Dash, contrasted our conduct with previous presidents and said we'd been highly ethical. And we're moving forward.

Now, the first lady has done several interviews. She was out in three different places last week answering questions exhaustively from the press. I think she will continue to do that. And if you have questions you want to ask her about this, I think you ought to ask the questions.

Q: Mr. President, you and the first lady have several times said that you've been amazed and dismayed by the intensity of both the opposition and the scrutiny surrounding Whitewater in particular. Has any of this been instructive for you? Have you taken any lessons from this ordeal, whether it's about the presidency, about the process, about the city or anything?

P: Oh, I think I've learned a lot about it. I think one of the things I've learned about it is that it's very important to try to decide what the legitimate responsibility of the president is, to be as forthcoming as possible, and to do it.

It's important for me to understand that there is a level here — and this is not a blame, this is just an observation — because of the experiences of the last several decades, of which I was not a part in this city, I think there is a level of suspicion here that is greater than that which I have been used to in the past — and I don't complain about it, but I've learned a lot about it —and that my job is to try to answer whatever questions are out there so I can get on with the business of the country.

And I think I've learned a lot about how to handle that. I've also learned here that there may or may not be a different standard than I had seen in the past — not of right and wrong, that doesn't change — but of what may appear to be right or wrong. And I think that you'll see that, like everything else, this administration learns and goes on. We always learn from our mistakes, and we have proven that.

Situation in Korea

Q: I wonder if you realize the situation that is developing in Korea, what is expected?...

P: The situation in Korea is serious, and we have responded in a serious way. The North Koreans themselves have said they are committed to a nonnuclear Korean peninsula. We want that. We want a good, normal relationship with them. They have terminated the IAEA [International Atomic Energy Agency] inspections. We are examining what we can do. We are talking to our South Korean partners as well as to the Chinese, the Japanese, the Russians and others.

We still hope that this can be resolved, and we believe it can be. But the choice is really up to North Korea. Will they be isolated from the world community, or will they be a full partner? They could have a very bright future indeed. They have many contributions to make, indeed, to a united Korea. And we hope that it will work out.

But we did — I did decide to deploy the Patriots on the recommendation of Gen. [Gary E.] Luck [senior American commander in South Korea] as a purely defensive measure in the wake of the difficulties we've had, and we'll make further decisions as we go along....

Health Care Legislation

Q: Mr. President, Congressman [Pete] Stark's [D-Calif.] health care bill doesn't do everything that you have proposed. Would you veto it if it reaches your desk?

P: No, because it does what I ask. It doesn't solve all the problems. But it does provide universal coverage. It emphasizes the workplace. That is, there is no tax on people unless they elect not to take out insurance. And it provides comprehensive benefits, which I think are very important. And it leaves Medicare alone with the integrity of Medicare.

There are things that it doesn't do that I wish it did. I don't think it's as successful or would be as successful in holding down costs and expanding opportunity as our plan; but certainly if it were to be enacted by the United States Congress I would sign it, because it meets the fundamental criteria I set out of covering all Americans with health care....

Congressional Testimony

Q: Mr. President, I take it that the tax returns you're putting out tomorrow are the ones that have already gone to the special counsel. If the special counsel wanted to question you about that, would you answer a subpoena? Would Mrs. Clinton? And what about congressional hearings — what would be the protocol on going before Congress to explain it to them?

P: Let me answer the first question first. We decided in addition to putting out the '78 and '79 returns, we should go ahead and put out the '77 returns. But that would be an appropriate starting point, because that's the year I first entered public life. I know there's — it's kind of a moving bar here. None of us are quite sure how far back anybody should go anymore about anything. But we thought that we would do that. And at least you would then have a complete record of the money we earned and the taxes we paid — Hillary and I together did — as long as I've been in public life.

In terms of the information, I expect that the special counsel will want to question me and will want to question the First Lady. It's my understanding that typically in the past it's been done in a different way. I mean, I will cooperate with him in whatever way he decides is appropriate.

Similarly, if Congress wants any information direct from us, we will, of course, provide it to them in whatever way seems most appropriate. Again, I understand there are certain protocols which have been followed in the past which I would expect would be followed here. But I intend to be fully cooperative so that I can go back to work doing what I was hired to do.

Welfare Reform

Q: What about welfare reform?

P: ... I have made no decision on the financing of welfare reform. I can tell you this: It's a tough issue because we have to pay for anything we do. And there are all kinds of proposals out there. I know that the Republican welfare reform proposal has a lot of things in it that I like. But I think it's way too hard on financing things — savings from immigrants. I think it goes too far there. So there are no real easy answers.

But I can say categorically that I have been briefed on a very wide range of options and that nobody in this administration has made any decision, and no one will make a decision except me, about how to fund it. That decision has not been made. We will come forward with that plan. We do think it offers the real promise of ending welfare as we know it, of moving people from welfare to work if we can also guarantee these welfare parents that when they go to work their children will not lose the health care that they have on welfare, so they won't be punished for going to work. That's the key issue. Thank you very much. ■

WHITEWATER

Leach Details His Charges In House Floor Speech

On March 24, Rep. Jim Leach, R-Iowa, took the floor of the House to detail his charges against President Clinton in the Whitewater affair. Following are excerpts from a text of the address issued by Leach's office:

. . . On the landscape of political scandals Whitewater may be a bump, but it speaks mountains about me-generation public ethics as well as single-party control of certain states and the U.S. Congress.

In a nutshell, Whitewater is about the arrogance of power — Machiavellian machinations of single-party government. It all began in the late 1970s when a budding S&L owner named James McDougal formed a 50-50 real estate venture with a young politician, the then-attorney general of Arkansas, Bill Clinton. In this venture called Whitewater, the S&L owner and S&L-affiliated entities provided virtually all — perhaps all — the money; the governor-in-the-making provided his name.

Over the years, the company received infusions of cash from the S&L as well as from a small-business investment corporation which diverted, allegedly at the governor's request, federally guaranteed funds from a program designed for socially and economically disadvantaged people to the governor's partners and thence, in part, to Whitewater.

Some of these funds were used to pay off personal and campaign liabilities of the governor, some to purchase a tract of land from a company to which the state had just given a significant tax break. Whitewater records have apparently been largely lost. A review of the numerous land transactions, however, raises questions of what happened to the money that came into the company, and a review of the president's tax records raises questions about tax deductions that were taken and income that may not have been declared.

Under the governorship of Bill Clinton, Jim McDougal was named a gubernatorial aide to serve principally as liaison to the Economic Development, Commerce, and Highway and Transportation departments; the first lady of Arkansas was hired to represent the S&L before state regulators; the president of the S&L was placed on the state S&L commission; an attorney who represented the S&L was named the state S&L regulator; the S&L received rent from state agencies; Whitewater had roads constructed using a state agency program and state funds; and the S&L was allowed to operate, despite being insolvent for an extended period, providing millions in loans and investment dollars to insiders and the Arkansas political establishment.

Under the governorship of Bill Clinton, the S&L was allowed to grow 25-fold until federal regulators forced its closing, at which time taxpayers picked up the tab for losses that amounted to approximately 50 percent of the institution's deposit base.

Under the governorship of Bill Clinton, the total number of state-chartered savings associations declined dramatically. Over the period December 1979 to December 1992, the number of stock state-chartered thrifts in Arkansas declined from 33, with assets of $961,002,000, to three, with assets of $146,072,000. Viewed another way, the amount of assets available to support home mortgage lending for the people of Arkansas declined.

The story of Whitewater is thus part and parcel the story of the greatest domestic policy mistake of the century — the quarter-trillion-dollar S&L debacle. It is the story of a company which in one sense was a simple real estate development venture, but in another was a vehicle used to spirit federally insured deposits from an S&L and compromise a significant political figure. . . .

In Arkansas, it is impressive how the federal government was obligated to close more than 80 percent of state-chartered S&Ls in the 1980s and how large taxpayer losses were in relation to the state's S&L deposit base. The failure of the Clinton administration in Little Rock to fulfill its responsibility to police state financial institutions had the effect of increasing tax burdens on citizens of Arkansas as well as other states.

While taxpayers at the national level were forced to pick up the tab for the mistakes of politicians in whose elections they could not vote, citizens in states like Arkansas were doubly shortchanged. Not only did they have to share in eventual bailout costs, but when their home-based financial institutions frittered away the hard-earned deposit savings of their state to insiders, fewer resources were made available to potential homeowners and minority entrepreneurs. . . .

Cover-Up Allegations

As in most serious public scandals, cover-ups can prove as troubling as acts at their source.

Much press attention has centered in recent weeks on the revelations of improper contact between employees of independent federal agencies and the White House. The question of whether a "heads up" was appropriate is of significance. More so, is whether the line between a "heads up" and "cover-up" was crossed.

By background, for several years a group of criminal investigators for the RTC in Kansas City reviewed the failure of Madison Guaranty Savings and Loan in Little Rock and came to the conclusion criminal referrals were appropriate. In the last week of September 1993, they sent copies of their referrals to Washington. Within a few days of receipt of the referrals from the Kansas City office, RTC Washington officials visited the White House. Within a few weeks, in an unprecedented change of procedure, Washington demanded to review all Madison referrals. Within a few months, a senior Kansas City criminal investigator was removed from the case. Within a few more months, officials from RTC Washington visited Kansas City to pass on the determined message that senior RTC officials in Washington wanted it understood that they wished to claim Whitewater was not responsible for any losses at Madison.

Courageously, Kansas City investigators refused to allow Washington RTC objections to change the content of the referrals they sent in the second week of October 1993 to the Justice Department.

Courageously, Kansas City investigators refused to back the Washington position that Madison's losses were unrelated to Whitewater and pointed out to their superiors that in one intensely reviewed six-month period alone, approximately $70,000 was transferred from Madison and Madison-affiliated companies to Whitewater.

Courageously, Kansas City investigators have sought whistleblower protection rather than comply with the Washington RTC gag order that no one from Kansas City could speak with special counsel [Robert B.] Fiske [Jr.] without clearance through and accompaniment of Washington RTC officials.

The briefing of the White House by high ranking Department of Treasury and RTC employees must be understood in the context of the development and transmittal to the Justice Department of these referrals and in the context of the possibility Kansas City was in the process of developing further referrals.

There are many elements of the Whitewater affair that are a bit esoteric. But the revelations that U.S. government officials briefed key White House aides on potential legal actions — which independent regulatory agencies might be obligated to take — implicating but not charging the president and first lady, subvert one of the fundamental premises of American democracy — that this is a country of laws and not men.

In America, no individual, whatever his or her rank, is privileged in the eyes of the law. No public official has the right to influence possible legal actions against him or herself. For this reason, agencies of the government as well as the White House have precise rules that govern their employees. . . .

Perhaps laws have not been broken, but seldom have the public and private ethics of professionals in the White House and executive departments and branch agencies been so thoroughly devalued.

The point of all this is that there is a disjunction in this administration between public policy and private ethics. Americans

abhor privilege; hypocrisy gnaws at the American soul; it leaves a dispiriting residue of resentment.

Specific Charges

What is also extraordinary is the absence of simple truth:

Administration claim: Whitewater caused no losses to Madison.

Fact: As reflected in the minority-developed charts and evidenced by supporting documentation, Madison and affiliated companies transferred significant resources to Whitewater. In addition to being a modest-sized real estate company, with a cash flow derived from land sales, Whitewater appears to be one of a dozen [or] so companies with direct or indirect access to Madison and its taxpayer-guaranteed deposits.

Administration claim: The Clintons lost money in Whitewater.

Fact: To have lost money in Whitewater implies that the Clintons invested sums which were unrecovered. Their Whitewater partner, James McDougal, claims at most the Clintons over the years put in $13,500 in Whitewater. The minority has provided evidence that one land transaction alone returned more than this amount to the Clintons, and published reports indicate tax deductions of some value were taken. [A Clinton-sanctioned] report, as well as a review of land sales, indicates substantial sums were taken out of Whitewater over the years. It is not clear how disbursements were arranged. What is clear is that infusions of capital from land sales, from Madison affiliated entities and possibly from others appear to have covered loans the company and the Clintons took out. The company may have had a negative value when the Clintons sold their half interest in 1992, but that neither means the Clintons themselves lost money, nor that questions ought not be asked about how direct or contingent liabilities may have been disposed of as late as 1992.

Administration claim: The president and his staff would fully cooperate with Congress.

Fact: The executive branch is actively working to prevent full disclosure of documents and committee access to witnesses.

Administration claim: It has done nothing wrong in relation to the RTC investigation into the failure of Madison and is fully cooperating with special counsel Fiske's probe.

Fact: Officials of an independent regulatory agency (the RTC) immediately notified the White House of the probe of Madison by its Kansas City office and attempted to put in place procedural techniques to undercut the traditional independence of its regional offices.

Fact: In January 1994, RTC Washington met with Kansas City staff. After the meeting, the Kansas City office filed a formal complaint with Washington RTC.

Fact: On Feb. 2, 1994, the day [Deputy Treasury Secretary] Roger Altman briefed the White House on Madison Guaranty, RTC senior attorney April Breslaw visited the Kansas City office and said that Washington would like to say that Whitewater caused no losses to Madison. Kansas City employees protested that this was not the case.

Fact: On Sept. 29, 1993, before the new criminal referrals were sent to the Justice Department, Treasury General Counsel Jean Hanson briefed White House counsel on them. Nine days after the meeting, the referrals were sent to the Justice Department. On Oct. 14, Jean Hanson, with [Treasury] Secretary [Lloyd] Bentsen's press secretary and chief of staff, met with presidential advisers ostensibly to discuss press inquiries related to Madison Guaranty.

Fact: On Feb. 2, right after the appointment of special counsel Robert Fiske, Roger Altman gave the White House a "heads up" briefing on Madison. At the Senate Oversight Board hearing, Roger Altman revealed his Feb. 2 meeting, but no others. Several days later, the September and October White House briefings were revealed. On March 9, The Washington Post reported that there were numerous other contacts between the Treasury and the White House on Madison. After subpoenas are issued, it is revealed that there are over 3,500 pages of documentation surrounding these contacts which the White House terms as inconsequential.

Fact: After the appointment of special counsel Fiske, Washington RTC officials imposed censorship guidelines on Kansas City RTC employees. No discussion with Fiske could be made without going through Washington. No meetings between [the] Kansas City office and Fiske could take place without accompaniment of Washington officials. No materials could be forwarded without going through Washington. All information concerning attorney-client privilege was to be redacted, with Washington RTC determining the scope.

Administration claim: No fundraising improprieties occurred.

Fact: On April 4, 1985, Jim McDougal hosted a fundraiser for Gov. Clinton. The Clintons repeatedly asked McDougal to host the fundraiser to pay off the $50,000 personal loan that Clinton had taken out in the final weeks of his 1984 campaign. The question at issue is whether some of the money appears to have been diverted from Madison Guaranty, which would then, with the failure of Madison, imply deferred federal financing of a gubernatorial election. For example, one cashier's check for $3,000 was made in the name of Charles Peacock III, then a 24-year-old college student who disclaims any knowledge of having made a contribution. Mr. Peacock's father was a major Madison borrower and served at one time on Madison's board. Other checks that the RTC is reviewing include a $3,000 check from the late Dean Landrum, an employee of Charles Peacock, and one from Susan McDougal. In the former governor's defense, candidates are not always in a position to verify their campaign contributions. . . .

Leach's Conclusions

The effect of this . . . is to evidence that:

1) Whitewater may have begun as a legitimate real estate venture but it came to be used to skim, directly or indirectly, federally insured deposits from an S&L and a Small Business Investment Corporation. When each failed, the U.S. taxpayer became obligated to pick up the tab;

2) The family of the former governor of Arkansas received value from Whitewater in excess of resources invested;

3) Taxpayer-guaranteed funds were in all likelihood used to benefit the campaign of a former governor;

4) The independence of the U.S. government's regulatory system has been flagrantly violated in an effort to protect a single American citizen;

5) Congress and the executive are employing closed-society techniques to resist full disclosure of an embarrassing circumstance, with unfortunate precedent-setting ramifications.

Last month, a BBC [British Broadcasting Corp.] reporter asked me if we Americans weren't making too much of this scandal. He raised a fair question. Compared with petty potentates around the world, who routinely walk off with millions, and in some cases billions, conflicts of interest in American politics are of petty variety. In this case, however, we have a situation where a multithousand-dollar conflict of interest led to a multimillion-dollar hit on the taxpayer. That is the meaning to the failure of Madison Guaranty. That is also the meaning of the Small Business Investment Corporation called Capitol.

It is simply not appropriate to shrug it off and say that this is the way things are done in small states. They aren't in Nebraska, South Dakota or Iowa. It is simply not appropriate to say it isn't a federal issue. It is. The U.S. taxpayer has lost millions; homeowners in Arkansas have lost institutions that were established to serve their needs; minorities throughout the country cannot lightly shrug off yet another instance in which a program designed to give them a crack at the American dream was redirected to serve the investment ego [of] a state political establishment.

It is suggested by the majority that we have better things to do around here. There again is some truth to this. The minority also wants to get on with the business of health care, welfare reform, crime legislation. Indeed, we pledge to be constructive and are not blocking any congressional consideration of these issues. But, in a larger sense, it should be understood that these "we have better things to do" laments suggest that ethics, governmental integrity and the possible misuse of the public's money should be secondary considerations — something to worry about only when we have time. In a democratic system, built and maintained on the confidence of the people, placing such considerations last on the list of priorities is a highly dubious game. ■

CAMPAIGN NOTES

Boren Vows To Finish Year If Named to College Post

While it has been widely rumored that Democratic Sen. David L. Boren will retire this year if chosen as the next president of the University of Oklahoma, Boren has said he will finish the congressional session even if he gets the job. The Oklahoma Board of Regents is expected to announce its choice in mid-May.

Having Boren serve through the 103rd Congress would be a relief for the Democrats, who already are defending five Senate seats being vacated at the end of the legislative year. If Boren finishes the session, his successor could not be chosen until 1995. Oklahoma law does not permit the appointment of interim senators.

Three of Oklahoma's House members have said they would consider running for the Senate if Boren takes the university position: Democrats Dave McCurdy and Bill Brewster and Republican James M. Inhofe. Democrat Mike Synar and freshman Republican Ernest Jim Istook Jr. have said they are not interested.

Sen. Wallop Rules Out Run For Governor of Wyoming

Six months after declaring that he would not seek re-election to the Senate, Wyoming Republican Malcolm Wallop announced he will not run for governor either.

"I think that the time has come for my political Energizer bunny to turn the page and see what's on the other side," Wallop said at a Washington news conference March 22.

Others interested in the governorship are waiting to see what the incumbent, Democrat Mike Sullivan, will do. He has yet to reveal his plans; his options include a run for the open Senate seat or retirement from politics. A spokesman indicated that Sullivan said he was reviewing bills from the state's legislative session that ended March 17 and would make a decision in the next few weeks.

Meanwhile, Robert P. Schuster, a Jackson lawyer and member of the Democratic National Committee,

Wallop Boren

announced his bid March 22 for Wyoming's at-large House seat that is being vacated by GOP Senate aspirant Craig Thomas.

Candidates Still Emerging In Virginia Senate Race

In the latest developments in Virginia's tumultuous Senate race, Democrat Charles S. Robb gained another primary challenger the week of March 21, as state Sen. Virgil H. Goode Jr. jumped into the race. And former Gov. L. Douglas Wilder, a Democrat, said he may re-enter the Senate race that he quit in January — but he did not say if he would run in the June 14 primary or as an independent.

Goode, 47, has represented his Southside district for 20 years. He competed for the Democratic Senate nomination in 1982 but fell short at the state convention. He is regarded as a gifted speaker capable of stirring audiences with populist rhetoric.

Richmond lawyer Sylvia Clute is also running.

Some Virginia Democrats say Goode may find the state's ballot-qualification procedure a barrier. To appear on the primary ballot, Goode must submit petitions containing at least 15,000 signatures — including 200 from each of the state's 11 congressional districts.

In the first sign that Wilder was rethinking his withdrawal, he said he would consider running if a petition drive gathered enough signatures to place him on the primary ballot.

Goode's and Wilder's actions ensued amid polls showing that voters are dissatisfied with Robb and the most likely Republican nominee, former Reagan aide Oliver L. North. *(Weekly Report, p. 689)*

No GOP Primary Necessary In Montana Senate Race

First-term Republican Sen. Conrad Burns of Montana has a free ride through the June 7 primary and can turn his attention to the fall election, when he will face the winner of the three-person Democratic primary.

With his path clear after the filing deadline March 24, Burns hopes to become the first GOP senator that Montanans have ever re-elected. He will face former U.S. Sen. John Melcher, Missoula lawyer Jack Mudd or state education employee Becky Shaw in the general election.

Democratic Rep. Pat Williams faces no primary opposition in his first campaign for re-election for the at-large seat.

Republican front-runner Delos Cy Jamison, former director of the Bureau of Land Management, faces a primary challenge from Harold Combs, a member of United We Stand America, Ross Perot's organization.

Key Whitewater Figure Files As Candidate for Congress

President Clinton's principal partner in the controversial Whitewater Development Co. announced March 22 that he would seek the Democratic nomination for the Arkansas House seat held by freshman Republican Jay Dickey.

James B. McDougal's past financial dealings with the Clintons are the subject of a probe by a federal special counsel. The Clintons invested in the Whitewater land development venture in 1978 along with McDougal and his then-wife Susan McDougal. *(Story, p. 720)*

Madison Guaranty Savings and Loan failed in 1989. One objective of the probe is to determine whether Madison money went to Whitewater or to retire old Clinton campaign debts.

In 1982, McDougal challenged GOP Rep. John Paul Hammerschmidt in the northwest 3rd District and lost by a 2-1 ratio. McDougal is likely to face Democratic state Sen. Jay Bradford of Pine Bluff and state Rep. John Parkerson of Hot Springs in the primary.

BANKING

House Passes Bill To Permit Interstate Bank Branching

With an unusual degree of dispatch for an important banking bill, the House easily passed a long-sought measure to clear away barriers to interstate banking and branching.

The House passed the bill (HR 3841) by voice vote March 22 under expedited floor procedures that limited debate and barred amendments. That led to protests from some liberal members who wanted an opportunity for a floor vote on an amendment — rejected during House Banking Committee consideration of the bill March 9 — to add more consumer protections to the bill.

The passage of HR 3841 comes as a major victory for the nation's big banks, which long have argued for relief from federal laws requiring them to maintain separate banks when they do business in different states. The measure would enable banks to significantly cut overhead costs for these multistate bank-holding companies by consolidating their operations into a single bank that would be headquartered in one state with branches in other states. States would be permitted to enact laws to block such consolidations.

Similar legislation has been included in omnibus efforts to retool the nation's banking laws, most recently in 1991. Such efforts largely have failed due to fights among major congressional players and also among big and little banks, insurance agents and companies, and securities firms.

Having learned from previous battles, supporters of interstate branching are endeavoring — so far successfully — to keep the bill clean of unrelated controversies. The decision by House leaders to permit the measure to come to the floor on the so-called "suspension calendar," which is usually reserved for non-controversial bills of less importance, reflects a decision to move the bill as quickly and cleanly as possible.

But the move did not sit well with Banking Committee members Kweisi Mfume, D-Md., and Joseph P. Kennedy II, D-Mass., who wanted a floor vote on an amendment to build additional protection for consumers.

Their amendment would have required banks that want to take advantage of the new interstate branching powers to pledge to make loans and maintain adequate banking services in poor areas and inner-city neighborhoods. They also wanted to block banks that have demonstrated a pattern of closing branches in less profitable banking markets from benefiting from the bill.

"The reality is that we have not done all for consumers in this bill that we could do," Mfume said.

Mfume and Kennedy had been on the losing end of a 17-34 committee vote on the issue March 9, and they faced almost certain defeat on the floor. Nonetheless, they wanted a vote.

One of the reasons the bill came to the floor under suspension of the rules, said senior Banking Committee member Barney Frank, D-Mass., was that House Democratic leaders wanted to show that the Whitewater scandal — which has stirred partisanship among members of the committee — is not interfering with the movement of legislation. ■

By Andrew Taylor

BOXSCORE

Bill: HR 3841 and draft Senate bill — interstate banking and branching.

Latest action: House passed HR 3841 by voice vote March 22.

Next likely action: Senate floor.

Background: Both bills permit banks to operate networks of branch offices across state lines.

Reference: Weekly Report, pp. 589, 461, 425, 230; 1991 Almanac, p. 75.

BANKING

Money-Laundering Bill Passes House

On March 21, the House passed legislation designed to reduce the paperwork required of banks complying with federal anti-money laundering statutes.

Under the bill (HR 3235, H Rept 103-438), the Treasury secretary would be required to reduce by 30 percent the number of currency transaction reports that banks file. Currency transaction reports are written records of transactions involving more than $10,000.

Transactions involving banks and government entities would be exempt from the paperwork requirements. In addition, banks could exempt some clients from the reports, subject to approval by Treasury officials.

Currency transaction reports are thought to help the federal government track some money-laundering schemes. But bill sponsors say the requirements are burdensome to banks and do not help regulators spot illegal transactions.

Additional language in the bill would require banking agencies to improve training for bank examiners in charge of identifying money-laundering schemes. The legislation also would force money-transmitting businesses such as currency exchanges and check-cashing outlets to register with the Treasury Department.

The House passed the bill by voice vote.

On the Senate side, provisions of a similar bill (S 1664) were included as an amendment to community development legislation (HR 3474), passed by the Senate on March 17. *(Weekly Report, p. 659)*

The legislation now goes to conference. The primary difference between the two versions are provisions, included in the House bill but absent from Senate language, that would revoke the Treasury Department's current ability to waive reporting requirements if states meet or exceed federal standards.

These provisions also would require casinos making more than $1 million annually to file currency reports with the Treasury Department. House sponsors indicated they would consider accepting the Senate version after concerns were raised by Rep. James Bilbray, D-Nev., that the provisions would hurt his state's internal efforts to police transactions. ■

By Laura Michaelis

INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: April 1, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are five (5) news articles from Nexis, relating to Madison Guaranty, dated March 31, 1994.

LEVEL 1 - 1 OF 5 ITEMS

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

March 31, 1994, Thursday, PM cycle

SECTION: Domestic News

LENGTH: 465 words

HEADLINE: Affidavit for Search of Judge's Office Released

BYLINE: By JOEL WILLIAMS, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

Offices of a lending company linked to the Whitewater investigation were searched by FBI agents after 86 percent of the company's loans became delinquent, according to court documents.

U.S. District Judge Stephen M. Reasoner on Wednesday released the affidavit sworn by the FBI to get permission to seize files of Capital-Management Services Inc. last summer.

Two months after the search, David Hale, then a municipal judge and president of Capital-Management, was indicted on charges of conspiring to defraud the federal Small Business Administration with two other men, and lying to the SBA. Hale resigned his judgeship after his indictment.

He claimed after his indictment that President Clinton pressured him to make an improper SBA loan to a business partner of Clinton's in a northern Arkansas land-development company, Whitewater Development Corp. Clinton has denied the charge.

In Washington today, Treasury Secretary Lloyd Bentsen's chief of staff, Joshua Steiner, arrived at 1:45 p.m. at U.S. District Court to testify before a grand jury hearing evidence in Fiske's Whitewater investigation. Steiner, one of a dozen Clinton administration officials subpoenaed by Fiske, declined to comment to reporters as he entered the courthouse.

Hale pleaded guilty to two charges last week in a plea agreement with Whitewater special counsel Robert Fiske in which he has agreed to cooperate with Fiske's investigation.

Federal prosecutors handling the case earlier had sought to keep the affidavit secret, but Fiske offered no objection to its release.

According to the affidavit, an SBA examination of Hale's company showed that

as of Nov. 30, 1990, loans totaling more than $ 2.45 million, or 86 percent of the loan portfolio, were delinquent. Some loans had been delinquent for 53 months.

The affidavit also said the company - which was supposed to make federally backed loans to businesses run by "disadvantaged" people - had violated various SBA rules and regulations, including lending money to "a non-disadvantaged small concern."

According to the affidavit, the audit also showed various instances of what the federal authorities said were improper lending arrangements.

At least one of the delinquent loans was a $ 300,000 loan to Susan McDougal, the Whitewater business partner to whom Hale referred in the accusation against Clinton.

That loan was made in 1986 for a marketing company Mrs. McDougal owned.

Mrs. McDougal at the time was married to James McDougal, who owned Madison Guaranty Savings & Loan, which failed in 1989.

Both McDougals were business partners with the Clintons in Whitewater.

About a third of the loan to Mrs. McDougal went into Whitewater's checking account, regulators say, and the loan never was repaid, according to SBA records.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 31, 1994

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LEVEL 1 - 2 OF 5 ITEMS

Copyright 1994 The New York Times Company
The New York Times

March 31, 1994, Thursday, Late Edition - Final

SECTION: Section A; Page 20; Column 1; Editorial Desk

LENGTH: 766 words

HEADLINE: Arkansas Secrets

BODY

There will be plenty of time to explore whether laws were violated when the Clintons went into the land development business with James and Susan McDougal or when George Stephanopoulos and other White House aides meddled with Treasury Department investigations. For the moment, it is enough to ponder the fluid morality implicit in the Clintons' tax returns and the records of Mrs. Clinton's short but profitable career as a commodities trader.

The inescapable conclusion is that this couple, early and late, suffered from a thematic insensitivity to the normal rules of conflict of interest. At every turn of their financial life, the then-Governor and First Lady of Arkansas were receiving financial favors from individuals who had something to gain from having friends in high places.

Consider the Whitewater case. The 230-acre development was supposed to be a 50-50 partnership between the two couples. To be clean politically, the deal had to be one of equal investment and equal risk. But from the moment that Jeff Gerth of The New York Times wrote the first Whitewater story in 1992, the Clinton campaign and later the White House press office dodged questions and withheld documents.

The reason is clear. The Clintons put up $500 initially and claimed losses of $43,635, most of it in payments on loans, by the time of the 1992 campaign. In contrast, the McDougals paid out $268,000 and withdrew $175,800 for a loss of $92,200. Although the records are muddled, the McDougals apparently paid dramatically larger amounts to support Whitewater than did their supposedly equal partners, the Clintons.

Moreover, Mr. McDougal's heaviest contributions to the partnership came after he acquired Madison Guaranty, a savings and loan that was part of Mr. Clinton's regulatory responsibility as Governor. The disorder of Whitewater and Madison records is such that it is unknown whether the Clintons benefited from any fund transfers between Madison Guaranty and Whitewater Development, or whether Madison benefited from favorable treatment by Mr. Clinton's regulators. That is a legal determination, but the political conclusion is clear. From the start of his governorship, Mr. Clinton was involved in potentially compromising financial entanglements.

The same goes for Mrs. Clinton. On an initial investment of $1,000 she made $98,000 by trading in agricultural commodities while her husband was running for governor. Her principal adviser was James Blair, the lawyer for Tyson Foods

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Inc.; the broker he chose for her, Robert (Red) Bone, had once worked for Tyson and had been disciplined by regulators for not keeping good records on which accounts made money and which lost. Once Mr. Clinton was in office, Tyson received $9 million in state loans and very gentle treatment when it came to the extensive water pollution associated with raising and cleaning chickens.

The investigators are nowhere near the bottom of Whitewater. But we now have a a fairly clear idea of how it got started and what it is about. It started with a well-meaning young couple who seemed to have an extraordinary indifference to, or difficulty in understanding, the normal divisions between government and personal interests. Their conduct may not have been illegal, but it was reckless and politically unattractive.

To deal with these seedy appearances, Clinton supporters are now engaged in what we have come to recognize as The Arkansas Defense. A central argument is that while the Clintons' dealings were not pretty, you cannot apply the standards of the outside world to Arkansas, where a thousand or so insiders run things in a loosey-goosey way that may look unethical or even illegal to outsiders. This logic holds that whatever the Clintons did was penny-ante stuff that the Republicans and the press ought to be willing to overlook in service to the higher national interests.

Certainly, there is a national interest in a viable Presidency and in swift progress on health care reform and other pressing issues. But the genius of the Federal system does not reside in importing to Washington the faults and idiosyncracies of the state capitals.

The effort to keep a lid on the Clintons' personal and financial histories has led to the development of a distinctive Clinton style -- to withhold critical information and to respond furiously with attacks on the motives of critics. It is a viable campaign practice. But the clumsy efforts to silence Congressional critics and the possible White House interference with Federal agencies demonstrate that it is a dangerous way to govern.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 31, 1994

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LEVEL 1 - 3 OF 5 ITEMS

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WALL STREET JOURNAL

March 31, 1994, Thursday

SECTION: Section A; Page 16, Column 1

LENGTH: 45 words

HEADLINE: RTC ASSERTS HUBBELL'S FATHER-IN-LAW HELPED CAUSE MADISON GUARANTY TO FAIL

BYLINE: BY KENNETH H BACON

ABSTRACT

Resolution Trust Corp contends that transactions between Madison Guaranty Savings & Loan and Seth Ward, father-in-law of former Clinton administration official Webster Hubbell, contributed to the 'insolvency and failure' of the thrift (M)

LANGUAGE: ENGLISH

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LEVEL 1 - 4 OF 5 ITEMS

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The Washington Times

March 31, 1994, Thursday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1793 words

HEADLINE: Hillary's expertise made millionaires of the Clinton's ; Her other deals outdid Whitewater

BYLINE: Jerry Seper and Michael Hedges; THE WASHINGTON TIMES

BODY

Hillary Rodham Clinton's commodities deals in 1978-79, when she turned a $1,000 investment into a $100,000 profit in 10 months, are indicative of her long-standing role as the financial wheeler-dealer in the Clinton family.

From selling short on health care stocks while on the stump attacking the health care industry to her bluntly worded power-of-attorney request of Whitewater Development Corp. partner James B. McDougal, Mrs. Clinton has always been out front when it comes to handling the Clintons' cash.

"I haven't seen the individual [commodity] trades, but anybody who is a novice and can run $1,000 into $100,000 is either one of the greatest geniuses in market history or had some very good advice," said Radoslav Artukovic, a successful stock specialist in Los Angeles. "It is in the realm of possibility, but it strains credulity."

Mr. McDougal, owner of the failed Madison Guaranty Savings and Loan Association, said during a Feb. 9 interview on ABC-TV's "Nightline": "If there was any business to discuss, I discussed it with Mrs. Clinton and not with the governor."

Mrs. Clinton's dealings have proved beneficial to the couple's bankbook. As the Clintons' breadwinner, she:

* Sucessfully assembled a stock portfolio to push her annual income into the six-figure bracket, including a $212,000 income in 1990.

* Helped establish about $75,000 in stocks for daughter Chelsea.

* Sought to set up a stock-buying partnership described by a Little Rock stockbroker as having a hidden purpose.

* Set up the Whitewater partnership in the Arkansas Ozarks structured to enable the Clintons to receive half the profits with little or no investment.

Despite warnings yesterday by White House Counselor David Gergen to "keep in

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mind her professional life" before denouncing Mrs. Clinton as a financial hustler, some financial experts, commodities traders and others believe the first lady may be the ultimate deal maker.

But her six-figure income as a lawyer at Little Rock's Rose Law Firm and a spectacular run at commodities trading have turned the couple into millionaires. The Clintons' net worth in July, when their assets were put into a blind trust managed by Boston-based Essex Investment Management Co., is estimated at more than $1.2 million, according to financial experts familiar with the Clintons' assets.

President Clinton's assets amount to only about $125,000 and include individual retirement accounts and Louisiana state bonds. He has never exhibited much savvy - or interest - in mastering household cash flow.

"It's like in any family where one person handles the family finances and the other person doesn't," said White House Press Secretary Dee Dee Myers. "He's always been more interested in policy."

Mrs. Clinton's worth, however, is estimated by experts at more than $1 million. It includes shares in Liz Claiborne Inc., Box Energy Corp., TCBY Enterprises Inc. and Wal-Mart Stores Inc. plus Arkansas state bonds, IRAs and her partnership interest in Value Partners I Ltd.

Mrs. Clinton's successful commodities trading was described March 18 in the New York Times. The newspaper said that starting just before Mr. Clinton's election as governor in 1978, Mrs. Clinton entered the market with the help of a friend who was the attorney for Tyson Foods Inc., a chicken processor and one of Arkansas' most powerful and heavily regulated companies.

The commodities investments began within six weeks of the time the Clintons' agreed to join a partnership with Mr. McDougal and his then-wife, Susan, in Whitewater, a development of 230-acres along the White River in the Arkansas Ozarks. The financial ties between Whitewater and Madison are now under a federal grand jury investigation led by special counsel Robert B. Fiske Jr.

Money Magazine, in its April edition, has estimated that the Clintons owe $99,858 in back taxes and interest "due to questionable deductions" for the Whitewater venture. The White House has said the Clintons owe nothing.

The successful commodity trades were made with the assistance of James B. Blair, a successful commodities broker and a Clinton confidant who at the time was general counsel for the Tyson operation, based in Springdale, Ark.

Arkansas records show the Tyson company was the beneficiary under then-Gov. Clinton of several favorable enviromental regulations, government-guaranteed loans and the appointment of company executives on state boards and commissions.

Mr. Blair has confirmed that he guided Mrs. Clinton in her commodities deals, which had never been publicly disclosed prior to the New York Times article, but denied any wrongdoing. He said he helped Mrs. Clinton because she was a friend, not because she was married to the governor.

The trading was conducted by Robert "Red" Bone, who managed the Ray E.

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Friedman brokerage firm, or REFCO, in Springdale. Mr. Bone worked at Tyson for 13 years and traded commodities futures for the company. The Commodities Futures Trading Corp. twice disciplined him and once banned him, Tyson Foods and its president, Don Tyson, from personal trading for a year, according to published reports.

He was disciplined by regulators both before and after his dealings with Mrs. Clinton for, among other things, allocating trades to investors after he had determined whether they were winners or losers.

Commodity Traders Consumer Report Editor Bruce Babcock told the Wall Street Journal: "To make 100 times your money is possible, but it's difficult to understand how a newcomer could do it. I don't care who is advising her, it just isn't very likely."

The combination of Mrs. Clinton's quick profits and Mr. Bone's record caused Commodities Futures Forecast Editor Philip Gotthel to conclude in an interview with USA Today that "switching [crediting trades to different customers after those trades have gained or lost] could have been part of her success."

A commentator yesterday morning on National Public Radio said the commodity transaction records released Tuesday by the White House would indicate that Mrs. Clinton was "one of the most successful novice investors ever."

"It would be the equivalent of going to a craps table and running 1,000 up to 100,000; it is unheard of," said one major investment manager who is also a director of numerous companies.

A commodities broker in New York said that a hundredfold increase in Mrs. Clinton's portfolio over a 10-month period would have spurred others to stay in the market, instead of abruptly quitting in 1980 after Chelsea was born.

"The rate of increase for Mrs. Clinton in her investment, if carried over a four-year period, would have been a profit to her of $100 billion," the broker said. "That potential gain would have kept a lot of players in the game."

Mr. Artukovic added that several professionals on the Pacific Stock Exchange have been asking why Mrs. Clinton - when on such a successful run - quit trading.

"Millions of people have tried this, and almost none have succeeded. When that happens, it is usually a professional with great expertise," he said. "This is the equivalent of hitting the lottery a number of times.

"Given their asset base at the time, the last thing an investment counselor would have told them is to risk it in the commodities market," he said. "You can lose two or three times what you invest. What possessed her to do that?"

Some federal law enforcement officials looking into the Whitewater-Madison affair have said they are asking the same question. They also are concerned about possible conflicts of interest involving Mrs. Clinton's ties to Value Partners and a stock partnership known as Midlife Investors Inc.

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Value Partners is an investment group that "sold short" on several health care stocks after the Clintons moved into the White House. By the time of the sale, Mrs. Clinton had actively taken charge of the president's health care task force. Selling "short" is the practice of selling shares not held for future delivery in anticipation of buying the shares later at a reduced price.

In December 1992, Value Partners had $1.2 million invested in 10 health care stocks, or about 13 percent of its total portfolio. The potential conflict focused on accusations that, as the head of the health care task force, Mrs. Clinton's public statements about health care and price controls depressed the price of shares in health care stocks, making the shares available at a reduced price.

The Washington Post noted in a March 18 report that some of the Value Partners short sales occurred after the Clintons moved into the White House. The newspaper said previous administrations had put their holdings into a blind trust before taking office - not six months later, as in the case of the Clintons.

Midlife Investors is a partnership set up in 1983 by Roy P. Drew, a broker working at the time at the E.F. Hutton office in Little Rock. It involved Rose Law Firm partners Webster L. Hubbell, the former associate attorney general who resigned earlier this month, and Vincent W. Foster Jr., the late White House deputy counsel whose body was found July 20 in a Virginia park.

Mrs. Clinton, Mr. Hubbell and Mr. Foster each put up $15,000, naming the others - not their spouses - as beneficiaries. It was Mr. Foster, as the Clintons' personal lawyer, who put the couple's blind trust together, completing it three days before his death - which has been ruled a suicide.

The Clintons' tax returns show the partnership never yielded much taxable dividend income, a finding that surprised Mr. Drew, now a private consultant.

He said it would be "a stretch of the imagination" to believe the venture did not yield dividends, based on its stock purchases, which included Firestone Tire and Diamond Shamrock.

In April 1983, about four years after Mrs. Clinton had parlayed the $1,000 into $100,000 in the commodities market, she approached Mr. Drew and asked for beginner's advice on stock investing.

"I didn't realize that Hillary had any other securities experience," said Mr. Drew, now an investment analyst in Little Rock. "She didn't carry herself as someone experienced enough to have made $100,000 in the commodities market. She was saying 'Teach me.' . . .

"The other thing I don't understand is why they were coming to Roy Drew at E.F. Hutton when she clearly had a number of very experienced contacts in the financial world."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 31, 1994

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LEVEL 1 - 5 OF 5 ITEMS

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The Washington Times

March 31, 1994, Thursday, Final Edition

SECTION: Part A; COMMENTARY; OP-ED; Pg. A19

LENGTH: 815 words

HEADLINE: Little Rock on the Potomac

BYLINE: Suzanne Fields; THE WASHINGTON TIMES

BODY

Television demands that pundits and politicians be concise, to reduce complex issues to a striking word or a succinct sound bite. Print journalists do the hard work, laying out the details with minute specificity; television mavens extract the essence.

So it's easy by now for nearly everybody who reads newspapers and watches television to detect the whiff of scandal surrounding Bill and Hillary Clinton.

Whitewater is first about "hypocrisy." Madison Guaranty Savings and Loan is about the "abuse of public trust." The Clintons, who campaigned against the greedheads of the 1980s, are seen now to have enjoyed making money themselves. Hillary earned $100,000 in a single year in the commodities market. The commodities market, no place for amateurs, is risky at best, and most investors lose money. Hillary was "lucky," drawing on the advice of a friend, who happened to be the chief lawyer for Tyson Inc., the nation's largest chicken producers and the protected polluters of once-pristine rivers and streams in the remote hills and hollows of Arkansas.

The Clintons abused the public trust when, as partners in Whitewater, they benefited from funds lent by Madison, which was a federally insured savings and loan. Their defense - as "passive partners" who lost money in Whitewater - collapsed when it was discovered that the first lady asked for power of attorney for Whitewater, to take over its management, and that the value the Clintons earned exceeded the investment they made.

Themes of hypocrisy and abuse of public trust cut through the complicated economic data about bank loans and conflict-of-interest technicalities that would give Rube Goldberg a headache.

The Whitewater scandal is actually a middle-class morality play (not a tragedy), closer to farce than high comedy, but sad nevertheless. The facts are esoteric but the players perform conventional roles. Instead of the overweening ambition of say, a king or aristocrat, Bill Clinton draws on small-town cronies to smooth his route to power with money that supports power. Hillary is no Lady Macbeth of Little Rock, but more the manipulative wife who pushes the limits of her power through her husband's political connections, first in a small town and

later in a bigger one.

This is "Our Town" updated for the 1990s, in which the microcosm called Little Rock becomes the macrocosm called Washington. It's easier to abuse power in a small state, but bad habits of young politicians have a way of becoming big bad habits in the nation's capital.

The Whitewater scandal took off in the public consciousness when the president's aides - loyal men and women - were subpoenaed by the general counsel to explain what they did and when they did it. These are the bit players, the Rosencrantzes and Guildensterns who do either the master's bidding or what they think the master would expect them to do. They cut corners with petty favors to insure their faithful (or fateful) roles.

Why else would they take Whitewater files out of Vincent Foster's office after he committed suicide but before the police could get a look? Why else would they talk to the staff at the Department of Treasury about Whitewater investigations? Why else would they question public officials in independent agencies about investigations into Madison?

The most damaging current evidence, according to Rep. Jim Leach, Iowa Republican, is a taped conversation in which a woman in the Resolution Trust Corp. office in Washington put pressure on an investigator in the Kansas City office to drop investigations into Madison. The Kansas City investigator has taken "whistle-blower" status for protection.

The damaging evidence from Little Rock, according to Jim Leach, suggests that Madison was a piggy bank for Whitewater, whose collapse ultimately cost the taxpayers $60 million dollars.

Hypocrisy and abuse of the public trust may or may not be criminal, but they go to the heart of public confidence. If Hillary and Bill had no idea what was going on with their own financial investments, why on earth should we trust them to handle our tax investments" for health care?

If Hillary made $100,000 in the commodities market, a truly phenomenal profit that would make her the queen of Wall Street, can we believe the lady with the golden eye dropped out because, as she put, the stress was too great when she was going to have a baby? (Even loyal feminist supporters raised eyebrows at that explanation.)

The question before the House (and maybe the Senate, too) is this: Will all the stuff seeping out from under the little rocks in Arkansas pollute the Potomac, too?

Suzanne Fields a columnist for the Washington Times is nationally syndicated. Her column appears here Monday and Thursday.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 31, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
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James Igo
Carl Gamble
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: April 11, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are fourteen (14) news articles from Nexis, relating to Madison Guaranty, covering the period April 8-10, 1994.

LEVEL 1 - 1 OF 14 ITEMS

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

April 10, 1994, Sunday, BC cycle

ADVANCED-DATE: April 7, 1994, Thursday, BC cycle

SECTION: Washington Dateline

LENGTH: 1372 words

HEADLINE: The Brooding Is Over - Mrs. Clinton Is Waging a Counteroffense

BYLINE: By TOM RAUM, Associated Press Writer

DATELINE: WASHINGTON

BODY

It was a brief time to be savored. After weeks of caustic criticism, a few moments of open affection.

Hillary Rodham Clinton basked in the adulation of United Auto Workers leaders, letting their applause and cheers sweep over her. UAW President Owen Bieber sought to quiet the audience. The first lady tried to wave him off.

"Thank you! Boy! Can you all come back every week? I really like being mobbed by friendly faces," she told the meeting.

Such moments of unambiguous approval are rare for a first lady who generates criticism on a startling number of fronts - from the way she wears her hair to how she shaped health care policy, practiced law and played the markets.

And then there is the core of the enigma: her unfathomable relationship with the president of the United States. Only two people - Bill Clinton and Hillary Rodham Clinton - know how this pair works, how much of the presidency he shares with her, how much influence she exerts. It drives foes and allies alike crazy.

Her critics are now having a field day with the recent revelations that she turned a $ 1,000 stake into a $ 100,000 profit in little more than a year by trading in risky cattle futures. "Hillary-bashing" is in full swing.

Pecked almost daily on the Whitewater affair, America's new-age first lady has dug in her heels and emerged from a short brooding hiatus in a flurry of activity and public appearances.

Suddenly she's everywhere. Traveling around the country pitching health care. Visiting ailing children in a hospital. Walking hand in hand with her husband on a beach in Southern California. Pitching an opening day baseball. Attending a

ceremony at the Netherlands Embassy to accept a new tulip variety named after her.

Once again, she seems determined to soften what many perceive as an intimidating presence.

In a video spoof for a journalists' dinner, the Clintons played Harry and Louise, the insurance industry's fictitious couple earnestly doubtful about White House health care proposals.

That brought to mind efforts to soften the image of another criticized first lady, Nancy Reagan. Mrs. Reagan dressed in old clothes and sang "Second Hand Rose" at a Washington dinner to poke fun at her acceptance of gifts of expensive designer clothes.

Shelia Tate, an aide to Mrs. Reagan at the time, said Mrs. Clinton's image problems are in a different league.. They stem from her decision to "make herself a semiofficial of the government with her own power base," she said.

"Traditionally, first ladies have distinguished between their roles and that of their husband. In this case, there's a blurring of those roles. She chose to borrow some of her husband's authority."

But Paul Costello, who worked for former first lady Rosalynn Carter, said most of the criticism of Mrs. Clinton is partisan, with Republicans playing on the fears of some Americans that Mrs. Clinton "is too uppity" for a first lady.

"There's a built-in sexism: a spouse should not be interfering with the duties of her husband. The Republicans will not say that right out. But the Republicans believe they have a vulnerability and they're going to exploit it," Costello said.

He recalled that Rosalynn Carter was criticized, too, for attending Cabinet meetings and high-level White House briefings. So was Eleanor Roosevelt, who traveled the nation in the 1930s as the eyes and ears of Franklin D. Roosevelt who used a wheelchair, and constantly tugged him to the left.

Mrs. Clinton was the first presidential spouse to be given an office in the West Wing, the business end of the White House where the president and his top advisers work.

Even some White House insiders said that logistics can be difficult with two rival staffs - his and hers - occupying some of the same turf, with Vice President Al Gore at the hub of yet another power center.

Close associates say Mrs. Clinton has grown more guarded. She engages in less small talk and lapses into uncharacteristic silence at White House meetings.

The firings of two longtime White House employees, an usher and the chef, contributed to the image of a house in disorder. But it is Whitewater and its tentacles that are proving to be Mrs. Clinton's harshest challenge yet. Whitewater could even put her before a grand jury.

Like it or not, she finds herself at ground zero in the web connecting first couple, the Whitewater real estate deal, the bankrupt Madison Guaranty Savings

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and Loan and the Rose Law Firm in Little Rock.

For the first time, Mrs. Clinton is forced to deal with questions on her skills as a professional, her ethics as a lawyer and her handling of the family finances.

Her long insistence that her career and financial dealings were strictly private concerns fueled suspicions that the Clintons had something to hide.

Going on the counteroffensive seems to be a response typical of her.

"I wouldn't say she's come out from a shell. I think she's come out from under a shelling," said White House political consultant Paul Begala. "She's an incredibly resilient person and she's not one to hunker down or bunker down."

The recent developments only add to the complexity of Mrs. Clinton. There have always been contradictions among her roles. There are as many different images of her as she has hair styles.

It began years ago, when she was criticized for not taking her husband's name when he was elected governor of Arkansas.

Today she exists somewhere between the woman that TV talk show host Larry King calls "sexy, romantic, flirtatious and bright" to the individual that Britain's Economist magazine likens to Shakespeare's villainous Lady Macbeth.

At the Rose Law Firm she specialized in lucrative corporate law, rarely appearing in a courtroom. Yet, on the side she was a tireless advocate for the rights of children (including a stint as head of the Children's Defense Fund) and of the poor (she was a member of the Legal Services Corporation).

She is also a mother. She took teen-ager Chelsea to Norway for the Olympics and went bike riding with her in California. Even that ride drew criticism, because Mrs. Clinton didn't wear a helmet.

"Who the hell cares," grumbled White House adviser David Gergen.

Then there's the liberal Hillary Rodham Clinton, the one conservatives love to hate, a favorite target of Rush Limbaugh. Conservatives claim that Mrs. Clinton has exerted major pressure on Clinton, and has been responsible for many of his most liberal appointments.

And there's the stylish Hillary Rodham Clinton, the one who looked so glamorous when she posed for celebrity photographer Annie Leibowitz for Vogue magazine.

Gergen claimed Mrs. Clinton is getting a bum rap for a lot of things.

Gergen says the view of her as "money grubbing," largely because of her big earnings in cattle futures, is misleading. He noted that - even though she earned four times the salary of her husband - she was one of the lower paid lawyers at the Rose Law Firm because she removed herself from many cases involving state contractors and agencies.

But Republicans are unlikely to let the "Hillary issue" drop, sensing that it

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gives them a lever with voters who for one reason or another don't like Mrs. Clinton - or her husband.

Some advisers have suggested that she try to stop being so lawyerly and follow the example of Geraldine Ferraro in 1984 when she held a long tell-everything news conference on her finances. Mrs. Clinton doesn't seem inclined to take the advice.

"I get my back up every so often about even having to answer questions that I don't think are in any way connected with the fact that my husband is in public life," she told Newsweek.

She insists her work has been "totally bipartisan" over the last 15 months.

"We've tried to work with everybody. What we're interested in is guaranteed health coverage of every American. And we want that to be beyond politics," she said.

"She has worked herself to exhaustion, past exhaustion," said Sen. Jay Rockefeller, D-W.Va., one of her biggest defenders. He said critics "want to tear down this first lady and her good work."

"I expect the sensationalists will eventually tire of this, the same way they tired of chasing Nancy and Tonya around Norway," Rockefeller said.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 10, 1994

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LEVEL 1 - 2 OF 14 ITEMS

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The New York Times

April 10, 1994, Sunday, Late Edition - Final

SECTION: Section 4; Page 19; Column 5; Editorial Desk

LENGTH: 716 words

HEADLINE: Journal;
Whitewater Drained

BYLINE: By FRANK RICH

BODY

My Whitewater dependency was every bit as out of control as the next guy's, but about 10 days ago I slipped into remission. Suddenly it was hard to hyperventilate about the story that only recently had tempted me to master cattle futures (to no avail, since I have no broker named "Red" to save me from bum steers).

You needn't consult polls to see that Whitewater has now fallen off a cliff in the public consciousness, to the pitiful point where even Madonna briefly usurped it in dinner conversations. When James McDougal put sets of his once-coveted Whitewater documents on sale last week, takers were so few he would have been better off titling them "The Bridges of Madison Guaranty. "

Why has Whitewater's torrent of drama ebbed to a slow trickle? It's not as if the story has been resolved, or that the Clintons have been cleared of all charges of impropriety. Questions remain unanswered, even if they don't point to a Presidential abuse of power. Whitewater won't truly be over until the last Rose Law Firm partner sings -- preferably in Congressional hearings that will be televised day and night for our delectation.

For the moment, though, it's intermission. Herewith a few theories as to why:

1. Vincent Foster, R.I.P. The White House Deputy Counsel's suicide was always the most exciting subplot of Whitewater -- the hook that pulled us into the duller nexus of tacky real estate and a tawdry S.& L. But after weeks of tabloid stories sighting Vincent Foster, both alive and dead, in more incriminating scenarios than Oliver Stone could dream up for Clay Shaw, ABC News aired autopsy photos knocking down the rumors; last week it was reported that the special counsel, Robert Fiske, would soon confirm Foster's death as a suicide.

Without a corpse, Whitewater just doesn't have that zing. No wonder the right-wing press has searched mightily for a sexy angle to fill the Foster vacuum -- so far to no avail. When The Wall Street Journal's editorial page floated the hint that a reporter for The New Republic had been assaulted in Little Rock for probing the Rose Law Firm, the alleged victim failed to corroborate the sinister spin. Further proof that the right's cupboard of hard Whitewater news is bare: The American Spectator is back on bimbo patrol.

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2. Al D'Amato and Jim Leach, M.I.A. The main Republican point men on Whitewater have both retreated from the spotlight. Senator D'Amato vanished after his pose as Mr. Ethics turned him into a late-night talk-show punching bag. Representative Leach has been scarce since he followed his "J'accuse!" speech on the House floor with a disastrous "Meet the Press" performance in which Timothy Russert and Bob Woodward caught the soft-spoken, sweater-wearing Congressman with a sweaty excess of righteousness and a deficiency of evidence to back up his charge that the Clintons had made money on Whitewater.

3. The Illusion of Full Disclosure. President Clinton's pre-N.C.A.A. championship press conference, a slam-dunk of mostly easy Whitewater questions, produced a big bounce in the polls. Mrs. Clinton has also belatedly proved somewhat more forthcoming to the press, talking generally (very generally) about Whitewater. (See last week's People.) Though the First Lady is still avoiding Whitewater sit-downs with major newspapers, she is rapidly running out of protected venues. Connie Bruck, the reporter who unraveled Steve Ross, is now on Mrs. Clinton's case for The New Yorker.

4. The Press Chases Its Own Tail. In the absence of new developments, journalistic self-flagellation over wallowing in Whitewater has become a self-feeding frenzy of its own, nearly as tedious as cattle futures. Trying to push the main story along -- and not content to let its rival, Newsweek, make the only Whitewater error that week -- Time ran a misleadingly cropped, five-month-old photo on its cover, then bowed to the ensuing press outrage by dropping its prized George Stephanopoulos angle entirely in the next issue.

5. Supreme Court Guessing Game. Liberals and conservatives alike have a new mystery about which to speculate now and hold rancorous hearings later. For recovering Whitewater addicts already afflicted by nostalgia, it's probably too much to hope that Webster Hubbell will surface on the short list.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 10, 1994

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LEVEL 1 - 3 OF 14 ITEMS

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April 10, 1994, Sunday, Final Edition

SECTION: OUTLOOK; PAGE C1

LENGTH: 2148 words

HEADLINE: Married With Conflicts;
Bill & Hill & Rod & Carla & the Problem of Capital Power Couples

SERIES: Occasional

BYLINE: Owen Ullmann, Mike McNamee

BODY

A POTENTIAL nominee to the Federal Reserve Board runs into a roadblock because his wife manages stock-market investments. Another Fed governor's fiancee spurns lucrative job offers from banks and securities firms. A high-powered attorney, the wife of a governor, represents clients before state agencies -- and finds herself under fire for conflicts of interest a decade later.

Sound familiar? "These kinds of things happen when you have married couples who have professions," President Clinton declared at his March 24 news conference -- and he should know. The Clintons stoutly maintain that Hillary Rodham Clinton did nothing wrong when she wrote letters on behalf of Madison Guaranty Savings & Loan to then-governor Clinton's appointees in Little Rock. But the Whitewater affair has turned a spotlight on the problems posed by power couples -- problems that Washington, coping with its first baby boomer administration, seems ill-equipped to handle.

With more and more women breaking through glass ceilings, couples who mix public-service and private-sector careers increasingly face legal or ethical conflicts. Caught between two articles of PC faith -- the need for women to advance professionally and the demand for squeaky-clean government -- ethics experts disagree passionately over how such conflicts should be handled. As a result, every case of spousal conflict is handled ad hoc -- not always to the satisfaction of the couples involved, nor in the best interests of the public, which should expect the highest standards of integrity from its government officials.

The Clintons are becoming the unwilling poster children of the power-couple syndrome, as they struggle to deal with the question that runs through many of the allegations known collectively as Whitewater: Why did Hillary Clinton do so much personal and legal business with Arkansas interests who could only gain by currying favor with the governor's wife? It isn't just her investment with and legal work for James McDougal, the owner of state-regulated Madison Guaranty. Her adviser on the commodities trades that rang up a $ 98,537 profit on a $ 1,000 investment was James B. Blair, outside counsel to Tyson Foods Inc., the state's biggest employer. Business Week magazine this week details how Hillary

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Clinton was recruited for her "marquee value" to join a bid for a cellular-telephone franchise; she got back $ 45,998 on that $ 2,014 investment. While Hillary Clinton turned down her share of the Rose Law Firm's partnership income earned on work done for the state (or, in the case of municipal bond work, accepted and then later turned back), she and the firm prospered on fees paid by private clients drawn by her presence.

Even if Hillary Clinton didn't break any laws, some ethicists are convinced she violated the rules of propriety. "No matter how Whitewater comes out, it will leave a bad odor," says Monroe Freedman, a professor of legal ethics at Hofstra University Law School. He contends that Hillary Clinton should have steered clear of situations where she might appear to be trading on her husband's position.

But that's not easy, as many power couples can attest. Take the case of George and Dina Perry. In January, George Perry, a distinguished economist at the Brookings Institution, became the Clinton administration's top choice for a seat on the Federal Reserve Board of Governors. But when White House aides learned of Dina Perry's job -- as portfolio manager for three multibillion-dollar mutual funds operated by American Funds group -- they panicked. The Perrys presented a clear conflict of interests, but no one could figure out a compromise that wouldn't sharply restrict Dina Perry's career. Weeks after his prospective nomination stalled, George Perry relieved the White House of its problem by withdrawing.

Then there's Mary Ann Gadziala and David W. Mullins Jr., who fell in love while working together at President Bush's Treasury Department. He went on to become vice chairman of the Fed; she became a top lawyer at the Securities & Exchange Commission. But she put her career on hold, shunning offers from banks and private law firms, out of fear of creating conflicts for her fiance. Their problem was solved last Valentine's Day, when Mullins stepped down to pursue a Wall Street career.

Power couples are largely on their own in handling such dilemmas. Many ethics scholars argue that spousal conflicts are no different from those posed -- and successfully handled -- by officials' parents, siblings or friends. The official should fully disclose his or her spouse's financial interests, pledge to refrain from divulging sensitive information and avoid cases affecting the spouse's business. "You should not make rules that limit the career of one spouse because of the career of the other spouse," contends Stephen Gillers, professor of legal ethics at New York University School of Law, who's been cited by President Clinton in support of Hillary Clinton's Little Rock work.

But other experts argue -- vehemently -- that marriage vows are stronger than friendship and thicker than blood. The U.S. law covering financial conflicts of interest treats a public official's spouse and minor children differently from other relatives or acquaintances for the common-sense reason that the official is more likely to share personal finances with immediate family members. And no matter how vigilant a couple may be, the intimacy of their relationship creates opportunities for unintentional disclosure of confidential information. In cases like that of the Perrys, "there's an unacceptable conflict," says C. Boyden Gray, chief White House counsel and ethics czar in the Bush administration. The

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only solution, Gray insists, is for one spouse to change jobs.

That answer, of course, is no solution for women's advocates, who think a double standard is being raised to force women into career sacrifices just when they're becoming successful. "These issues can be handled with common sense," says Sheila Wellington, president of Catalyst Inc., a New York non-profit group dedicated to advancing women's careers in management. "I hope the trend toward dual-career families isn't used to disadvantage women just as they are breaking into the top."

Well, it disadvantaged Marilyn Quayle. A successful lawyer who stayed home to raise her children when her husband, Dan, went into politics, she promised herself that she'd go back to work after the 1988 election. The only problem was, Dan got elected vice president. "Everyone wanted to hire her, but the opportunities were fraught with potential conflicts," says friend Sheila Tate, spokesman for the 1988 Bush campaign. After consulting legal advisers, Marilyn Quayle decided not to practice law until her husband left office. Other couples have found less drastic ways to defuse conflicts. From 1981 to 1985, Peter Wallison served as general counsel to Treasury while his wife, Frieda, was an attorney specializing in public finance with the firm Jones, Day, Reavis & Pogue. Wallison promised his Treasury superiors that he would never discuss his work with his wife -- an arrangement, he says, that worked well and should be used as a model. Wallison, who later served as White House counsel to President Reagan, says, "The solution is to disclose the relationship, recuse yourself from matters where there really is a conflict and ask to be judged by your behavior in office. You can't suspect everyone's motives."

When Sam Skinner became transportation secretary and then White House chief of staff under Bush, his lawyer-wife, Honey, simply removed herself from any case that posed an appearance problem. Indeed, lawyers may have the least trouble finessing conflicts because they work on specific cases for specific clients and legal ethicists have long since developed rules for handling conflicts.

Players in financial markets offer tougher cases -- and lead to costlier solutions. In 1985, George D. Gould married his second wife, Jane, a portfolio manager at Alliance Capital Management in New York, just one month before he became undersecretary of the Treasury, overseeing the Treasury's bond auctions and financial policymaking. The detailed agreement the Goulds worked out with Treasury's lawyers barred Jane from taking any new accounts and from managing bond investments. Legal fees for that agreement and the creation of blind financial trusts cost "more than my first year's salary at Treasury," says Gould.

Similarly, Carla A. Hills and her husband,Roderick, a former SEC chairman, paid a sizable penalty when she became U.S. trade representative in 1989. At the time, he was an attorney, an investment banker with foreign clients and a director on several corporate boards. Carla promised at her Senate confirmation hearing that the USTR's general counsel would oversee her husband's business activities. Roderick also had to resign from the bank and his boards, and the couple took a big financial hit when forced to sell a large stock portfolio.

"The rules were too harsh," she complains. So harsh, in fact, that because of her experience, Congress changed the law so that officials forced to sell investments to take a government post can defer taxes on their capital gains.

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Debbie Dingell lives with a different set of restrictions. A longtime lobbyist for General Motors Corp., she had to rearrange her duties before her 1981 marriage to Rep. John D. Dingell (D-Mich.), chairman of the House Energy and Commerce Committee. She quit working the Hill, went into community relations and now shuttles between Detroit and Washington as president of the charitable General Motors Foundation. But in election years, she pays her own airfare between her offices and won't even drive a corporate car to avoid the appearance that GM is paying for trips during which she might campaign for John.

But with no written rules, other couples take a more laissez-faire approach. William McLucas, head of the SEC's enforcement division, is engaged to Kaye Williams, a former SEC lawyer who last fall became assistant general counsel for the Securities Industry Association, the trade group representing firms regulated by the SEC. Williams says there's no problem: "We are both lawyers who have ethical obligations to keep client information privileged." Besides, she adds, she doesn't deal with enforcement issues.

That's the same attitude taken by Environmental Protection Agency Administrator Carol Browner and her husband Michael Podhorzer, a lobbyist with the consumer group Citizens Action. Although the organization is involved in many environmental issues, Podhorzer says he handles only health issues.

While these couples may have found ways to sidestep direct conflicts of interest, they still haven't overcome the appearance problem. "People are looking over my shoulder all the time," Debbie Dingell complains. "Why don't you write about all the media couples with conflicts?"

She has a point. While laws and ethics codes aim to head off financial conflicts, Washington trades in a number of other currencies: information, ideology, power, prestige. NBC White House correspondent Andrea Mitchell attends some of the capital's most exclusive dinner parties with her longtime companion, Fed Chairman Alan Greenspan. CBS correspondent Rita Braver is married to lawyer Robert Barnett, who used to do personal legal work for the Clintons. When Braver was assigned to the White House, Barnett stopped representing the First Couple. "There's no way I was going to tell Rita anything confidential and there's no way she was going to pull any punches on the air. But the appearance was too much of a problem," Barnett explains.

With the public growing ever more cynical about the honesty of government officials, this power-couple "appearance" problem is hazardous to ignore. Thus purists like Hofstra's Freedman advocate a law prohibiting officials' spouses from working in related fields. But such a flat prohibition may be too strict. As long as men and women meet on the job and fall in love, conflicts will arise. Few people will serve in government if the price of the job is a spouse's career. In most cases -- as with the Goulds, the Hills and the Dingells -- conflicts can be handled.

What's needed are clearer guidelines, more creative solutions. And who better to address that need than Bill and Hillary Clinton? Under the barrage of Whitewater charges, updating ethics rules for the two-career era probably is the last thing on the minds of the First Couple. But if they want anything good to come out of this affair and to act on their high-minded campaign rhetoric about restoring ethics in government, they should snatch this opportunity. The baby

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boomers will be grateful.

Owen Ullmann and Mike McNamee are Washington correspondents for Business Week magazine.

GRAPHIC: ILLUSTRATION, RANDALL ENOS FOR TWP, PHOTO, AP

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 8, 1994

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LEVEL 1 - 4 OF 14 ITEMS

The Associated Press

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April 9, 1994, Saturday, AM cycle

SECTION: Washington Dateline

LENGTH: 1372 words

HEADLINE: The Brooding Is Over - Mrs. Clinton Is Waging a Counteroffense

BYLINE: By TOM RAUM, Associated Press Writer

DATELINE: WASHINGTON

BODY

It was a brief time to be savored. After weeks of caustic criticism, a few moments of open affection.

Hillary Rodham Clinton basked in the adulation of United Auto Workers leaders, letting their applause and cheers sweep over her. UAW President Owen Bieber sought to quiet the audience. The first lady tried to wave him off.

"Thank you! Boy! Can you all come back every week? I really like being mobbed by friendly faces," she told the meeting.

Such moments of unambiguous approval are rare for a first lady who generates criticism on a startling number of fronts - from the way she wears her hair to how she shaped health care policy, practiced law and played the markets.

And then there is the core of the enigma: her unfathomable relationship with the president of the United States. Only two people - Bill Clinton and Hillary Rodham Clinton - know how this pair works, how much of the presidency he shares with her, how much influence she exerts. It drives foes and allies alike crazy.

Her critics are now having a field day with the recent revelations that she turned a $ 1,000 stake into a $ 100,000 profit in little more than a year by trading in risky cattle futures. "Hillary-bashing" is in full swing.

Pecked almost daily on the Whitewater affair, America's new-age first lady has dug in her heels and emerged from a short brooding hiatus in a flurry of activity and public appearances.

Suddenly she's everywhere. Traveling around the country pitching health care. Visiting ailing children in a hospital. Walking hand in hand with her husband on a beach in Southern California. Pitching an opening day baseball. Attending a ceremony at the Netherlands Embassy to accept a new tulip variety named after her.

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Once again, she seems determined to soften what many perceive as an intimidating presence.

In a video spoof for a journalists' dinner, the Clintons played Harry and Louise, the insurance industry's fictitious couple earnestly doubtful about White House health care proposals.

That brought to mind efforts to soften the image of another criticized first lady, Nancy Reagan. Mrs. Reagan dressed in old clothes and sang "Second Hand Rose" at a Washington dinner to poke fun at her acceptance of gifts of expensive designer clothes.

Shelia Tate, an aide to Mrs. Reagan at the time, said Mrs. Clinton's image problems are in a different league. They stem from her decision to "make herself a semiofficial of the government with her own power base," she said.

"Traditionally, first ladies have distinguished between their roles and that of their husband. In this case, there's a blurring of those roles. She chose to borrow some of her husband's authority."

But Paul Costello, who worked for former first lady Rosalynn Carter, said most of the criticism of Mrs. Clinton is partisan, with Republicans playing on the fears of some Americans that Mrs. Clinton "is too uppity" for a first lady.

"There's a built-in sexism: a spouse should not be interfering with the duties of her husband. The Republicans will not say that right out. But the Republicans believe they have a vulnerability and they're going to exploit it," Costello said.

He recalled that Rosalynn Carter was criticized, too, for attending Cabinet meetings and high-level White House briefings. So was Eleanor Roosevelt, who traveled the nation in the 1930s as the eyes and ears of Franklin D. Roosevelt who used a wheelchair, and constantly tugged him to the left.

Mrs. Clinton was the first presidential spouse to be given an office in the West Wing, the business end of the White House where the president and his top advisers work.

Even some White House insiders said that logistics can be difficult with two rival staffs - his and hers - occupying some of the same turf, with Vice President Al Gore at the hub of yet another power center.

Close associates say Mrs. Clinton has grown more guarded. She engages in less small talk and lapses into uncharacteristic silence at White House meetings.

The firings of two longtime White House employees, an usher and the chef, contributed to the image of a house in disorder. But it is Whitewater and its tentacles that are proving to be Mrs. Clinton's harshest challenge yet. Whitewater could even put her before a grand jury.

Like it or not, she finds herself at ground zero in the web connecting first couple, the Whitewater real estate deal, the bankrupt Madison Guaranty Savings and Loan and the Rose Law Firm in Little Rock.

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For the first time, Mrs. Clinton is forced to deal with questions on her skills as a professional, her ethics as a lawyer and her handling of the family finances.

Her long insistence that her career and financial dealings were strictly private concerns fueled suspicions that the Clintons had something to hide.

Going on the counteroffensive seems to be a response typical of her.

"I wouldn't say she's come out from a shell. I think she's come out from under a shelling," said White House political consultant Paul Begala. "She's an incredibly resilient person and she's not one to hunker down or bunker down."

The recent developments only add to the complexity of Mrs. Clinton. There have always been contradictions among her roles. There are as many different images of her as she has hair styles.

It began years ago, when she was criticized for not taking her husband's name when he was elected governor of Arkansas.

Today she exists somewhere between the woman that TV talk show host Larry King calls "sexy, romantic, flirtatious and bright" to the individual that Britain's Economist magazine likens to Shakespeare's villainous Lady Macbeth.

At the Rose Law Firm she specialized in lucrative corporate law, rarely appearing in a courtroom. Yet, on the side she was a tireless advocate for the rights of children (including a stint as head of the Children's Defense Fund) and of the poor (she was a member of the Legal Services Corporation).

She is also a mother. She took teen-ager Chelsea to Norway for the Olympics and went bike riding with her in California. Even that ride drew criticism, because Mrs. Clinton didn't wear a helmet.

"Who the hell cares," grumbled White House adviser David Gergen.

Then there's the liberal Hillary Rodham Clinton, the one conservatives love to hate, a favorite target of Rush Limbaugh. Conservatives claim that Mrs. Clinton has exerted major pressure on Clinton, and has been responsible for many of his most liberal appointments.

And there's the stylish Hillary Rodham Clinton, the one who looked so glamorous when she posed for celebrity photographer Annie Leibowitz for Vogue magazine.

Gergen claimed Mrs. Clinton is getting a bum rap for a lot of things.

Gergen says the view of her as "money grubbing," largely because of her big earnings in cattle futures, is misleading. He noted that - even though she earned four times the salary of her husband - she was one of the lower paid lawyers at the Rose Law Firm because she removed herself from many cases involving state contractors and agencies.

But Republicans are unlikely to let the "Hillary issue" drop, sensing that it gives them a lever with voters who for one reason or another don't like Mrs. Clinton - or her husband.

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Some advisers have suggested that she try to stop being so lawyerly and follow the example of Geraldine Ferraro in 1984 when she held a long tell-everything news conference on her finances. Mrs. Clinton doesn't seem inclined to take the advice.

"I get my back up every so often about even having to answer questions that I don't think are in any way connected with the fact that my husband is in public life," she told Newsweek.

She insists her work has been "totally bipartisan" over the last 15 months.

"We've tried to work with everybody. What we're interested in is guaranteed health coverage of every American. And we want that to be beyond politics," she said.

"She has worked herself to exhaustion, past exhaustion," said Sen. Jay Rockefeller, D-W.Va., one of her biggest defenders. He said critics "want to tear down this first lady and her good work."

"I expect the sensationalists will eventually tire of this, the same way they tired of chasing Nancy and Tonya around Norway," Rockefeller said.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 9, 1994

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LEVEL 1 - 5 OF 14 ITEMS

The Associated Press

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April 9, 1994, Saturday, PM cycle

SECTION: Washington Dateline

LENGTH: 386 words

HEADLINE: Dole To Continue Pressing for Whitewater Hearings

BYLINE: By CURT ANDERSON, Associated Press Writer

DATELINE: WASHINGTON

BODY

If anyone in Congress or the Clinton administration thinks Senate Minority Leader Bob Dole has forgotten about Whitewater during lawmakers' spring recess, think again.

Dole, R-Kan., said Friday the GOP might start trying to "slow things down" in Congress unless Democrats move by the end of the month toward a timetable for Whitewater hearings.

"Obviously, the Democrats don't want to have a hearing," Dole said. "The Democrats aren't going to have it unless they absolutely have to."

Dole said he would give a proposal Monday to Senate Majority Leader George Mitchell to begin lining up investigators and begin background work for a hearing.

"We're going to have to decide as a party, are we going to stand up and fight for it?" said Dole. "If we do, we can slow things down here in the Senate."

Both the Senate and House have voted to hold hearings on Whitewater, but no date has been set. The hearings would concern the Clintons' investment in the 230-acre Whitewater vacation and retirement development in Arkansas and possible ties to the failed Madison Guaranty Savings & Loan.

Dole said Clinton's trips this week to push his health care plan probably haven't changed many minds - but have had an effect the president wants.

"He's trying to get attention off of Whitewater, and this is one way of doing that," Dole told reporters from his home state of Kansas.

Clinton appeared Thursday in Kansas, giving a speech in Topeka and discussing health care with foundry workers. He then held a televised town hall meeting in Kansas City, Mo., before heading to Minnesota for similar appearances Friday. He

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appeared in North Carolina earlier in the week.

Dole said Clinton's road show - filled with what the senator called "fanfare and razzmatazz" - has not translated into congressional support. Lawmakers return Monday from their two-week Easter recess.

"I think President Clinton has a bad product," Dole said. "He's doing the best he can to sell it, but it's not going to work."

Dole, however, repeated that some health care legislation would emerge from Congress, probably this summer. He said it should focus on making coverage more affordable, ensuring people can't be prevented from getting insurance because of pre-existing medical conditions, and on reforming the malpractice system.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 9, 1994

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LEVEL 1 - 6 OF 14 ITEMS

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THE DALLAS MORNING NEWS

April 9, 1994, Saturday, HOME FINAL EDITION

SECTION: NEWS; Pg. 1A

LENGTH: 1428 words

HEADLINE: Whitewater fuels backlash in Arkansas;
Untrue details, distorted portrayals cause distrust

BYLINE: Thomas G. Watts, Staff Writer of The Dallas Morning News

DATELINE: LITTLE ROCK, Ark.

BODY

LITTLE ROCK, Ark. - A backlash is building over Whitewater.

Arkansans watched for months as allegations concerning the partnership of President Clinton, Hillary Rodham Clinton and James B. McDougal and his wife in the Whitewater Development Corp. multiplied until an independent counsel was appointed to sort it all out.

They watched as reporters and film crews from outside the state swept through the capital and the northern Arkansas woods, interviewing anyone who might have a clue to a controversy rooted in real estate deals and a failed thrift.

And they read and watched with growing dismay as some details appeared that they knew were untrue.

Lawyers and others in Arkansas who know the Clintons and many of those involved in the controversy acknowledge that much of what they read is accurate and fair, but there are some notable exceptions that make them increasingly wary of the media.

"I've become very cynical and mistrustful of the press," said Alston Jennings, the patriarch of Wright, Lindsey and Jennings, one of Arkansas' three largest law firms.

Those critical of the media say news accounts frequently have characterized people here as legal and financial bumpkins, just a step removed from hunting acorns in the Ozarks.

And what outsiders see as questionable coziness in business and legal dealings, locals say, is simply the informal reality of life in a small city.

Sixty percent of the state's lawyers practice in the Little Rock area, noted Howard Eisenberg, law school dean at the University of Arkansas-Little Rock. "You can't live here and do anything of significance without running into the same people."

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In recent weeks, the resentment against out-of-state media has begun spilling out of legal and business circles and into local newspapers.

"Fact Checkers On Holiday," a column headline announced in the weekly tabloid Arkansas Times. It and the daily Arkansas Democrat-Gazette have characterized outside reporters as doing much of their work from bar stools at the Capitol Hotel, the 114-year-old landmark where many stay during their forays into Arkansas.

The media focus on Arkansas business, law and politics - the milieu where Bill and Hillary Rodham Clinton built their careers - has not gone unnoticed at the White House.

"Obviously I think think it's been difficult for some of his friends, the people who are to close to him, to be personally put through the wringer," said presidential press secretary Dee Dee Myers.

"And I do think the portrayal of Arkansas, both in the campaign and now during Clinton's presidency, has been very two-dimensional," she said.

Part of the problem is the age-old culture gap between a small, largely rural state of 2.3 million people and the nation's population centers. And part of it may be sensitivity of bright professionals in a state whose residents have been ranked among the nation's least educated and lowest paid.

"I feel a lot of it is bigotry; that everything that happens in Arkansas is more racist or stupid than at other places," said Mr. Eisenberg, the law school dean.

At a recent law conference on the East Coast, Mr. Eisenberg said, an acquaintance asked whether "there were any other Jews in Arkansas."

"I said, Yes, and we are now wearing shoes,' " he said.

"I'm offended that people come out here expecting to find a bunch of bumpkins who are sleeping with their sisters," he said.

But he, Mr. Jennings and others cite some specific examples of media errors and excesses, too:

* A Newsweek report that Mrs. Clinton did not invest any of her own money while making nearly $ 100,000 in the cattle futures market more than a decade ago. The magazine admitted its error after its consultant denied making such an assertion.

* An article in The New Republic that was almost hooted off the magazine racks in Little Rock for suggesting a conspiracy among the Clintons, the financially influential Stephens family and the Rose Law Firm - where Mrs. Clinton was a partner - to steer the state's bond business through Stephens family interests, among other plots. Arkansans noted that during Mr. Clinton's long Arkansas political career, it was the Stephens family that helped finance several of his opponents and fought many of his economic proposals.

* An anti-Clinton campaign on the editorial pages of The Wall Street Journal that is viewed by many in Arkansas as not only unfair but scurrilous. Journal

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editor Robert L. Bartley told The New York Times that "there's a certain kind of fun that we're having again now that we had during the Carter years."

"You get up in the morning and say, OK, what are they doing now that we can criticize?' " Mr. Bartley said.

* Questions and rumors surrounding the suicide last summer of White House counsel Vincent Foster Jr. Before joining the Clinton administration, he was a highly respected and well-liked partner in the Rose Law Firm - one of Little Rock's largest, and the firm where Mrs. Clinton used to practice.

There are other stories that bother people here.

Ron Martin, the managing partner in the Rose firm, said in a recent, rare interview with the Arkansas Times that he had received a late-night call from a producer for a network news operation, demanding that he grant an interview.

When he refused, Mr. Martin told the newspaper, the producer threatened to put a camera atop a nearby building and videotape everyone entering the firm. Mr. Martin said the producer followed through with his threat.

Lawyer Jennings, who is semi-retired at 77, said he was most bothered by a tendency of some reporters to make an "interpretation of conduct to make it appear that something is wrong with it, that it's somehow underhanded or illegal."

He pointed to a 1985 exchange of letters between Mrs. Clinton and the state securities commissioner when now-defunct Madison Guaranty Savings & Loan - which was owned by Mr. McDougal - was trying to get permission to issue preferred stock. It was represented by the Rose firm.

One of the letters from the commissioner, Beverly Bassett Schaffer, began "Dear Hillary." The informality raised media eyebrows several years later.

"I'd have been shocked if she hadn't written Dear Hillary,' " said Mr. Jennings. "That was not some sort of improper intimacy.

"That's the sort of thing that is really galling to me," he said. "This is all so unfair."

He and others noted that the Madison stock was never issued and that Ms. Schaffer - now a partner in the Wright firm's Fayetteville office - moved aggressively a few years later in seeking federal action when Madison's financial problems became obvious.

One theme that is repeatedly underscored here is that business and legal dealings in largely rural Arkansas are far less formal than in other areas - particularly Washington, D.C., and New York.

"Lawyers in Little Rock act like lawyers in a small community," said Mr. Jennings. "We know who we can trust and who we can'ttrust. It's a very tight-knit community."

Law school dean Eisenberg, a Chicago native with degrees from Northwestern

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University and the University of Wisconsin, has been in Arkansas for three years. He initially was surprised by the informal and polite atmosphere.

"Law here is still civil," Mr. Eisenberg said. "There is not the problem with extreme hostility between law firms here that you find in other places."

Other lawyers, who did not want to be identified, agreed.

"Very little that happens in Little Rock happens in a vacuum," said one attorney. "You just get to know who all the players are and what they're going to be able to do."

Some in the national media are getting the message.

Writing Monday in The New York Times , columnist Anthony Lewis commented that errors were being made, because many in the press "have been consumed by competitive zeal to get out front on the Whitewater story."

"A sense of proportion is what has been lacking in much of the Whitewater coverage, along with a sense of history," he wrote.

"When it is all over, I think the press will regret its hysteria."

That same day, as euphoria swept the state over over the University of Arkansas' NCAA championship, one celebrant put her displeasure with the national media in blunter terms.

"The media ignored Arkansas or portrayed the team as a bunch of idiots," said Debbie McCoy, a 22-year-old sales clerk, as she watched the game at a North Little Rock sports bar.

"And now you want to talk about Whitewater?" she asked a reporter. "Right. You'd probably screw that up like everyone else.'

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 10, 1994

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LEVEL 1 - 7 OF 14 ITEMS

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The Washington Times

April 9, 1994, Saturday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 812 words

HEADLINE: Dole threatens GOP will slow Senate

BYLINE: Jerry Seper; THE WASHINGTON TIMES

BODY

Senate Minority Leader Bob Dole yesterday said Republicans may "slow things down" on Capitol Hill unless Democrats begin to schedule hearings by May 1 in the Whitewater-Madison affair.

"Obviously, the Democrats don't want to have a hearing," the Kansas Republican said in interviews with reporters in his home state. "We're going to have to decide as a party, are we going to stand up and fight for it?

"If we do, we can slow things down here in the Senate," he said.

Mr. Dole, who first sought congressional hearings in the matter four months ago, said he plans to ask Senate Majority Leader George J. Mitchell on Monday to begin the necessary background work for the hearings and to authorize staff investigators.

The Senate and House voted last month to authorize hearings, but no date has yet been announced. Lawmakers return Monday from their two-week Easter recess.

"We will make our proposal on Monday and hope he follows up on it," Mr. Dole said during a separate interview on C-SPAN. "This is precisely what we ought to be doing as the loyal opposition."

Mr. Dole said Republicans have been "stonewalled" in their efforts to have hearings, adding that it is apparent "Democrats investigate Republicans, Democrats don't investigate Democrats - especially one in the White House."

He noted that Democrats authorized 25 separate congressional hearings to investigate allegations of wrongdoing involving Presidents Reagan and Bush.

Republicans want Whitewater-Madison hearings to determine if federal laws were violated or tax monies lost in dealings between Madison Guaranty Savings and Loan Association, a defunct Arkansas thrift, and Whitewater Development Corp., a failed real estate venture involving President and Mrs. Clinton.

GOP lawmakers also want to know if the White House improperly interfered in a federal probe of the S&L by the Resolution Trust Corp.

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The Washington Times, April 9, 1994

James B. McDougal, Madison's owner and a partner with the Clintons in the Whitewater venture, also is the focus of an ongoing investigation by Whitewater-Madison special counsel Robert B. Fiske Jr.

Mr. McDougal, who bought Madison in 1982, is suspected of manipulating loans through the S&L and of diverting other monies to the campaigns of several Arkansas politicians, including Mr. Clinton. He also is under investigation in the purported diversion of Madison funds - from overdrawn accounts and Madison-approved loans - to Whitewater.

Mr. Clinton has denied any wrongdoing, saying he and his wife did "nothing improper" with regard to Madison or Whitewater. Mr. McDougal, who was indicted in 1989 on fraud charges in connection with Madison and later acquitted, also has denied any wrongdoing.

Madison was closed in 1989 by federal banking regulators at a cost to taxpayers of $50 million.

Mr. Dole's efforts to prod Democrats for the hearings come at a time when Mr. Clinton is trying to push Whitewater-Madison stories off the front page. The president was busy last week in town hall meetings across the country, trying to advance his health care agenda.

"He's trying to get attention off of Whitewater, and this is one way of doing that," said Mr. Dole. He said Mr. Clinton had been successful in dulling the Whitewater-Madison coverage but not in winning congressional support for his health care reform proposal.

He described the town hall meetings as being filled with "fanfare and razzmatazz" but not much substance, adding that Mr. Clinton was trying to "distract" the public from the Whitewater-Madison affair.

"I think President Clinton has a bad product," Mr. Dole said. "He's doing the best he can to sell it, but it's not going to work."

He said, however, he expects a health care package to emerge from Congress this summer aimed at more affordable coverage, guaranteed care and a reformed malpractice system.

Mr. Dole's first calls for congressional hearings in the Whitewater-Madison affair came in December, when he asked Sen. Donald W. Riegle Jr., Michigan Democrat and Senate Banking Committee chairman, to schedule public hearings in the matter. His call was echoed by Sen. Alfonse M. D'Amato of New York, the committee's ranking Republican.

"The American people deserve a thorough and independent review of the whole Madison Guaranty -Whitewater affair," Mr. Dole said at the time. "Although the allegations . . . are too numerous to list here, they are sufficiently serious to merit a thorough committee investigation."

Similar calls were made by Reps. Jim Leach of Iowa and Toby Roth of Wisconsin, both Republicans, who asked House Banking Committee Chairman Henry B. Gonzalez, Texas Democrat, to begin an investigation.
Both Mr. Riegle and Mr. Gonzalez declined.

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The Washington Times, April 9, 1994

GRAPHIC: Photo (color), Sen. Bob Dole

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 9, 1994

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LEVEL 1 - 8 OF 14 ITEMS

The Associated Press

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April 8, 1994, Friday, AM cycle

SECTION: Washington Dateline

LENGTH: 361 words

HEADLINE: Dole To Continue Clamoring for Whitewater Hearings

BYLINE: By CURT ANDERSON, Associated Press Writer

DATELINE: WASHINGTON

BODY

Republicans might start trying to "slow things down" in Congress unless Democrats move by the end of the month toward a timetable for Whitewater hearings, Senate Minority Leader Bob Dole said Friday.

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return Monday from their two-week Easter recess.

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LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 8, 1994

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LEVEL 1 - 9 OF 14 ITEMS

The Associated Press

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April 8, 1994, Friday, AM cycle

SECTION: Domestic News

LENGTH: 271 words

HEADLINE: McDougal Lowers Cost for Documents

DATELINE: LITTLE ROCK, Ark.

BODY

Whitewater figure James McDougal won't charge $ 4,000 after all for copies of documents he received from the White House.

McDougal arrived at the decision after several news organizations said they wouldn't pay for the set of documents he received from President Clinton and Hillary Rodham Clinton.

Sam Heuer, McDougal's lawyer, said that instead of charging $ 2 a page, McDougal would charge 50 cents a page, which he said reflected copying costs only.

McDougal's price is higher that the usual cost of getting copies of documents. For example, when the Resolution Trust Corp. released documents this week on a failed savings and loan owned by McDougal, it charged 20 cents a page to cover copying costs.

Heuer had said in announcing the original cost that McDougal needed the money for his legal defense.

On Friday, he said, "McDougal and I had a lengthy discussion as a result of some reports in the news media. We don't want it to appear that we are selling the documents, so we are making them available at 50 cents a page."

Heuer said the documents would be available at his Little Rock office Tuesday to those who want to buy them.

The set contains some 2,000 pages of information on corporate tax returns, bank records on Whitewater loans and records on the sale of Whitewater lots, a lawyer for the Clintons said.

Heuer has said he expects an indictment of McDougal to come out of special counsel Robert Fiske's investigation of the Whitewater project, which was owned by McDougal and his former wife and the Clintons, and its ties to the failed Madison Guaranty Savings & Loan, which McDougal owned.

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LANGUAGE: ENGLISH
LOAD-DATE-MDC: April 8, 1994

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LEVEL 1 - 10 OF 14 ITEMS

The Associated Press

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April 8, 1994, Friday, PM cycle

SECTION: Washington Dateline

LENGTH: 282 words

HEADLINE: Dole To Press Ahead With Whitewater Hearings

BYLINE: By CURT ANDERSON, Associated Press Writer

DATELINE: WASHINGTON

BODY

Senate Minority Leader Bob Dole said today he will continue pressing for hearings on the Whitewater affair even though President Clinton has deflected some attention with this week's health care road trip.

Dole, R-Kan., said he would present a proposal on the hearings Monday to Senate Majority Leader George Mitchell, D-Maine, to line up investigators and begin background work.

"Obviously, the Democrats don't want to have a hearing," Dole said. "The Democrats aren't going to have it unless they absolutely have to."

Dole, in an interview with Kansas reporters, said Clinton's series of public appearances around the nation this week to push his health care plan probably hasn't changed many minds in Congress - but it has temporarily pushed Whitewater to the back burner.

"He's trying to get attention off of Whitewater, and this is one way of doing that," Dole said.

If Democratic leaders don't show some signs of agreement on a timetable and structure for Whitewater hearings by May 1, Dole hinted the GOP might attempt to bottle up legislation.

"We're going to have to decide as a party, are we going to stand up and fight for it?" Dole said. "If we do, we can slow things down here in the Senate."

Both the Senate and House have voted to hold hearings on Whitewater, but no date has been set.

The hearings would concern the Clintons' investment in the 230-acre Whitewater vacation and retirement development in Arkansas and its ties to the failed Madison Guaranty Savings & Loan, once operated by James McDougal.

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Special Counsel Robert Fiske is conducting such a probe, but Dole and other Republican lawmakers think Congress should press ahead with its own hearings.
LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 8, 1994

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LEVEL 1 - 11 OF 14 ITEMS

The Associated Press

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April 8, 1994, Friday, PM cycle

SECTION: Domestic News

LENGTH: 691 words

HEADLINE: McDougal Lowers Cost for Documents

BYLINE: By JOEL WILLIAMS, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

After several news organizations refused to pay $ 4,000 for a set of documents he just got from the White House, Whitewater figure James McDougal has lowered the price to $ 1,000, his lawyer said today.

The lower charge reflects copying costs only - 50 cents per page, down from the original offer of $ 2 per page, said Sam Heuer, McDougal's lawyer.

"McDougal and I had a lengthy discussion as a result of some reports in the news media. We don't want it to appear that we are selling the documents, so we are making them available at 50 cents a page," Heuer said.

Several major news organizations refused to pay McDougal $ 4,000 per set for copies of the Whitewater documents given to him by the White House.

"We don't buy news, and we never will buy news," Andrew Rosenthal, Washington editor of the New York Times, said Thursday.

"If he wants to make documents available to us, we will be glad to copy them at our own cost," Rosenthal said. "We have asked the White House for a copy - since they provided them to Mr. McDougal for his commercial enterprise, they can provide them to us."

The Clintons this week sent McDougal about 2,000 pages of corporate tax returns, bank records on Whitewater loans and records on the sale of Whitewater lots, according to a letter from the Clintons' lawyer, David Kendall.

Heuer had said Thursday that anyone who wanted copies of the documents could buy the package for $ 2 a page. McDougal needs the money for his legal defense, Heuer said.

"He's going to run into some pretty good-size expenses, especially when the congressional hearings begin," Heuer said.

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Other organizations whose spokesmen said they would not purchase the documents were The Associated Press, The Washington Post and The Washington Times. All said they wouldn't join a "pool" to purchase the documents once and share the material.

"We agreed that there was not likely to be anything in these records," said Wesley Pruden, managing editor of The Washington Times. "Since the White House had had them for weeks, we assume that they would have been sanitized of any damaging materials."

Heuer said Thursday some people or organizations were willing to buy the documents, but he said he wasn't at liberty to identify them.

The Arkansas Democrat-Gazette said it would not buy the documents but might consider joining a pool.

Much of the money would have gone to pay Heuer, who says he has represented McDougal since last fall without pay.

McDougal, asked about the price tag, took a jab at news organizations that have been covering Whitewater: "These capitalists in the East have made money off of us. I think it's only fair we turn it around."

McDougal's original price was far beyond the usual cost of copying documents. For example, when the Resolution Trust Corp. released documents this week on a failed S&L owned by McDougal, it charged 20 cents a page to cover copying costs.

White House press secretary Dee Dee Myers said of the records, "They're his. He can do anything he chooses. He has said in the past that he would make them public. If you sell a house to somebody, you can't tell them they can't paint the walls green."

Heuer has said he expects an indictment of McDougal out of special counsel Robert Fiske's investigation, which includes the Whitewater project and its ties to the failed Madison Guaranty Savings & Loan, which McDougal owned. The Clintons were 50-50 investors with McDougal and his then-wife, Susan, in Whitewater, a 230-acre vacation and retirement development in the Ozarks of northern Arkansas. All the investors say they lost money and broke no laws.

Last month, McDougal began offering dirt from one of the Whitewater lots for $ 19.95 per cubic foot, along with a "deed" giving buyers title.

He also filed as a candidate for Congress last month, saying he would use his candidacy in the Democratic primary as a platform to speak out on Whitewater in the southern Arkansas district.

The Clintons sold their interest in Whitewater to McDougal in 1992, agreeing to file three years of delinquent tax returns for the corporation and to return Whitewater records to him.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 8, 1994

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LEVEL 1 - 12 OF 14 ITEMS

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The Houston Chronicle

April 8, 1994, Friday, 2 STAR Edition

SECTION: A; Pg. 7

LENGTH: 319 words

HEADLINE: For sale: Whitewater records

BYLINE: New York Times

DATELINE: LITTLE ROCK, Ark.

BODY

LITTLE ROCK, Ark. -- The Clintons' former partner in the Whitewater land deal, James McDougal, has come up with a new way to raise money for his legal bills.

McDougal's lawyer, who received 2,000 pages of Whitewater documents from the Clintons' lawyer on Monday, said Thursday that he would sell the set to reporters for $ 4,000.

The lawyer, Sam Heuer, said only reporters who bought the documents would be allowed to submit questions about them to him and McDougal.

""Jim is trying to help himself by raising money for his legal defense fund,'' Heuer said. ""This is an exclusive market, and we're offering this on a one-time basis. ''

Heuer said eight reporters had expressed interest in the documents, but he would not identify them or say whether any had paid the $ 4,000.

At the White House, Clinton's press secretary, Dee Dee Myers, said of the records: ""They're his. He can do anything he chooses.

He has said in the past that he would make them public. If you sell a house to somebody, you can't tell them they can't paint the walls green. ''
Last month, McDougal said that he and a real estate agent were selling dirt from the Whitewater area for $ 19.95 a cubic foot.

The Clintons were partners with McDougal and his former wife, Susan, in the Whitewater Development Co., a failed resort development in the Ozarks. McDougal filed for bankruptcy in 1991.

Federal authorities are investigating Whitewater and its ties to the Madison Guaranty Savings and Loan Association, a lending institution that McDougal owned until it failed in 1989 at an

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estimated cost to the government of $ 60 million.

A lawyer for the Clintons, David Kendall, has given 10,000 pages of documents to federal investigators. On Monday, he sent copies of 2,000 to Heuer.

The documents include corporate tax returns, escrow receipts, payment records, escrow contracts and bank records.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 9, 1994

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LEVEL 1 - 13 OF 14 ITEMS

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April 8, 1994, Friday, Late Edition - Final

SECTION: Section A; Page 16; Column 6; National Desk

LENGTH: 336 words

HEADLINE: Ex-Partner Of Clintons To Sell Papers

BYLINE: Special to The New York Times

DATELINE: LITTLE ROCK, Ark., April 7

BODY

The Clintons' former partner in the Whitewater land deal, James B. McDougal, has come up with a new way to raise money for his legal bills.

Mr. McDougal's lawyer, who received 2,000 pages of Whitewater documents from the Clintons' lawyer on Monday, said today that he would sell the set to reporters for $4,000. The lawyer, Sam Heuer, said just reporters who bought the documents would be allowed to submit questions about them to him and Mr. McDougal.

"Jim is trying to help himself by raising money for his legal defense fund," Mr. Heuer said. "This is an exclusive market, and we're offering this on a one-time basis."

Mr. Heuer said eight reporters had expressed interest in the documents, but he would not identify them or say whether any had paid the $4,000.

At the White House, Mr. Clinton's press secretary, Dee Dee Myers, said of the records and Mr. McDougal: "They're his. He can do anything he chooses. He has said in the past that he would make them public. If you sell a house to somebody you can't tell them they can't paint the walls green."

Last month Mr. McDougal said that he and a real estate agent were selling dirt from the Whitewater area for $19.95 a cubic foot.

The Clintons were partners with Mr. McDougal and his former wife, Susan, in the Whitewater Development Company, a failed resort development in the Ozarks. Mr. McDougal filed for bankruptcy in 1991.

Federal authorities are investigating Whitewater and its ties to the Madison Guaranty Savings and Loan Association, a lending institution that Mr. McDougal owned until it failed in 1989 at an estimated cost to the Government of $60 million. A lawyer for the Clintons, David A. Kendall, has given 10,000 pages of documents to Federal investigators. On Monday he sent copies of 2,000 to Mr. Heuer.

The documents include corporate tax returns, escrow receipts, payment

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records, escrow contracts andbank records. Mr. Heuer said the documents would exonerate the Clintons of wrongdoing. He would not elaborate.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 8, 1994

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LEVEL 1 - 14 OF 14 ITEMS

Copyright 1994 The Washington Post
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April 8, 1994, Friday, Final Edition

SECTION: FIRST SECTION; PAGE A8

LENGTH: 438 words

HEADLINE: Documents for Sale -- at a Price ;
McDougal Offers Whitewater Material to Raise Defense Funds

SERIES: Occasional

BYLINE: Susan Schmidt, Washington Post Staff Writer

BODY

First he said he was selling off chunks of remaining Whitewater property to raise money. Now James B. McDougal, President Clinton's former business partner, is offering to sell copies of the Whitewater documents returned to him by the White House this week for $ 4,000 a set.

McDougal's lawyer, Sam Heuer, told news organizations yesterday that 2,000 pages of records the Clintons' lawyer turned over to McDougal will be made available on Tuesday. But, Heuer said, news organizations will have to pay $ 2 a page if they want copies, and the money will go toward paying for McDougal's legal defense.

"Jim will make comments and will make himself available to those who purchase them," said Heuer, adding that it is a "one-time deal."

"What a glorious scam -- it's a new definition of chutzpah," said Stephen Hess, a scholar at the Brookings Institution.

Although news organizations routinely pay copying costs for document reproduction, many were struggling yesterday with the ethical questions that would be raised by the purchase of Whitewater documents.

David Kendall, lawyer for President Clinton and Hillary Rodham Clinton handling matters relating to the special counsel's Whitewater investigation, yesterday continued to refuse to make the documents public.

McDougal, former owner of Madison Guaranty Savings & Loan -- a failed thrift at the center of the special counsel's probe -- was also joint owner with the Clintons of the Whitewater real estate venture in the Ozark mountains.

Hess said the Clintons should ask McDougal to release the documents at cost. "They, as public officials who have a stake in this thing, might request the release of these papers," said Hess.

The documents include at least some of the Whitewater material removed from the office of former White House deputy counsel Vincent Foster after his death

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last July.

Foster handled the Clintons' sale to McDougal of their half ownership stake in Whitewater for $ 1,000 in December 1992. At the time, he agreed to prepare three years of back corporate tax returns on Whitewater and send all the records back to McDougal. Foster completed the tax returns in June.

Former White House counsel Bernard Nussbaum kept the documents from U.S. Park Police and FBI investigators looking into the apparent suicide last summer and turned Foster's Whitewater file over to Kendall.

Meanwhile yesterday, White House staff secretary John Podesta testified before a grand jury in Washington looking into whether there were improper contacts between White House and Treasury Department officials on the progress of the Whitewater investigation.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 8, 1994

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THE KANSAS CITY STAR

SUNDAY, March 27, 194 MID-AMERICA EDITION

Whitewater trail begins here

RTC investigators based in KC found evidence against S&L that started it all before Bill Clinton became president

By MIKE McGRAW and JEFF TAYLOR
Staff Writers

Last March, as the Clinton family settled into the White House, a Kansas City federal investigator named Laura Jean Lewis was pushing the Justice Department for action on an explosive matter involving the new president.

Working out of second-floor offices of a bank building south of the Country Club Plaza, Lewis and other investigators for the government's Resolution Trust Corp. had compiled allegations of criminal activity relating to Madison Guaranty Savings and Loan, the failed Arkansas thrift run by a former business partner of the Clintons.

Lewis and her colleagues had uncovered evidence alleging, among other charges, that Madison served as the center piece in a $1.5 million check-kiting scheme involving several companies. One of the companies, Whitewater Development Co., a real estate venture half-owned by Bill and Hillary Clinton.

The Kansas City RTC office had sent its findings to the U.S. Attorney in Little Rock in September 1992. But by last March, Lewis still hadn't heard whether the Justice Department planned to pursue the case.

To Lewis, it appeared that someone was sitting on the 11-page referral, officially designated "File C0004." In fact, the case was dead: the Justice Department had declined to prosecute.

But by the same week of the decision reached Kansas City last October, Lewis and other investigators had pursued and put together nine other recommendations for criminal investigations

See RTC, A-10, Col. 1

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into Madison and its owner, James B. McDougal.

Days later, Jean Lewis was removed from the case.

Details of Lewis' dogged pursuit of the S&L case are now emerging in interviews with RTC sources and others. Last week, a series of memos she wrote about Madison, including her increasing suspicions that Washington officials were trying to "cover up" her findings, were released by Rep. James Leach, the Iowa Republican who has become President Clinton's chief detractor in the expanding Whitewater scandal.

Lewis' conduct in the case is central to the Whitewater matter. Critics, including some federal banking officials, charge that the 40-year-old former Texan, now living in Johnson County, was overzealous in her pursuit of a hard-to-prove, politically sensitive issue that might have jeopardized Clinton's presidential campaign.

Others, including Leach and Lewis' colleagues in the RTC, say she is simply a hard-driving, tough-minded investigator doing her job.

Lewis, the daughter of a retired Army major general, declined to comment on her role in the Whitewater affair. But colleagues see she is bright and tough, with sharp instincts and an excellent memory. She is a "warrior," a fellow investigator says, "a bulldog."

"Sometimes she comes off as a hard-core feminist," another colleague says. "But she's not hard-core. She's not a feminist. She's just tough, and as a result, some men have a hard time dealing with her."

Another top RTC investigator added: "She's got a lot of courage. And she just knows where to go."

Routine beginning

Lewis was first assigned to investigate Madison in July 1991. The assignment was routine, part of a plan by the RTC to take a new look at the 1989 failure of the Little Rock thrift.

In 1990, Madison owner James McDougal had stood trial in Little Rock on federal bank fraud charges arising from the collapse of his thrift, a failure that cost taxpayers at least $47 million. He was acquitted.

Lewis had planned to begin a new investigation in late 1992, but the course changed when *The New York Times* published a story in March 1992, raising questions about the business relationship between McDougal and the Clintons.

About the same time, according to RTC memos, the RTC's office in Tulsa, Okla., where Lewis worked before being transferred in 1993 to Kansas City, received a tip that a former Madison Guaranty employee had fabricated at least two years of minutes for Madison Financial Corp., a real estate subsidiary run by McDougal.

Based on that tip, Lewis and a fellow investigator traveled to Little Rock to examine Madison's records, stored in an old, drafty warehouse by the Arkansas River. Instead of an orderly, indexed filing system, they found chaos.

"... the records were in very poor condition, (they) appeared to have been dumped and/or crammed into warehouse space," one memo said. Clearing out a space for a table and two chairs, Lewis and a fellow investigator set to work.

Among the first things Lewis found were work sheets related to a Madison development called Maple Creek Farms. A ledger sheet noted a $30,000 charge to Whitewater Development for the cost of an engineering study.

Lewis later wrote in an office memo that "this was the first indication of a relationship between MGSL and/or MFC and Whitewater beyond the existence of a Whitewater checking account" at the thrift.

By the following August, with the investigation in full swing, Lewis had reached her conclusion — that McDougal's thrift and its related companies, including Whitewater, were entangled in what appeared to be a $1.5 million check-kiting scheme.

Nothing in her findings, according to sources, implicated the Clintons in any crime. In preparing her criminal referral on the Madison case for consideration by the Justice Department, the Kansas City office carefully named the Clintons as "witnesses," who may have benefited from their relationship with Madison, but not as "targets."

One reason for the caution, sources say: Lewis and her bosses didn't want the Clintons' names to be added to a national computer database containing the names of suspected embezzlers, money launderers and savings and loan swindlers.

The data base is run by the Treasury Department's Financial Crimes Enforcement Network. The contents of the system are not available to the public, but RTC sources say the Clintons' names never popped up on the database.

The referral was forwarded on Sept. 1, 1992, to Charles A. Banks, the Republican U.S. attorney in Little Rock, and to Steve Irons, a special agent in the white collar crime unit of the FBI's office in Little Rock.

The cover letters were written by L. Richard Iorio, the field investigations officer for the RTC in Kansas City.

With the presidential election in full swing, Banks wrote to the FBI agents that taking action in the heat of the campaign would be unfair. In the letter, obtained by *The Los Angeles Times*, Banks wrote that an investigation would constitute "prosecutorial misconduct" by giving legitimacy to allegations about Clinton that could not be proven.

The letter also apparently reflects the feelings of some Justice Department officials that Lewis was overzealous in her pursuit of the matter.

Banks almost immediately forwarded the referral to the Justice Department's main office in Washington, labeling it "politically hot."

Back in Kansas City, however, Lewis was getting a totally different perspective on the matter. And she was about to realize that finding out what happened to referral No. C0004 was almost as hard as getting to the bottom of the Madison case in the first place.

Lewis apparently was encouraged by Irons, the FBI agent in Little Rock, to keep pursuing the case. According to RTC documents, Irons told Lewis he thought she had made a strong check-kiting case that should be prosecuted.

But for months, Lewis heard nothing. Finally, in early May 1993, after Clinton had taken office, Lewis called Banks' office in Little Rock. She had a clerk check the office computer system for any trace of the Madison referral.

The clerk told her then that Banks had sent the referral up the line to the Justice Department office in Washington. "We'll probably never hear about it again," she told Lewis.

So Lewis called Justice Department officials in Washington. There, a department employee said they had no record of her referral. "It is not in their computer system, and it has not been given to an attorney," Lewis was told.

Lewis kept probing the bureaucracy, documenting her attempts in a series of electronic mail messages to her supervisors. She finally determined that the referral had ended up at the Office of Legal Counsel at the Justice Department in Washington. Lewis explained the referral to the other employee, who was looking it up for her. According to Lewis' memos, the employee answered, "Oh, the one involving the president and his wife."

When she found it, however, the employee told Lewis that Banks had not sent it to her predecessor, but because the Clintons were named in it — had sent it up as a special request to the attention of the attorney general's office.

In late June, Lewis told her supervisors that a "reliable and confidential source" told her that the Madison referral had been returned to the Little Rock office of the U.S. attorney. Lewis' source said officials there intended to "sit on it" until Clinton appointed a new U.S. attorney for the office.

Finally, on Oct. 27 of last year, more than a year after the original referral was sent in, Lewis received a letter from Paula J. Casey, the Clinton appointee who took over from Banks as the U.S. attorney in Little Rock.

Casey noted that the referral had been reviewed in Washington, and action on it had been taken before she took office. She said she had reviewed the referral however "and I concur with the opinion of the department attorneys that there is insufficient information in the referral to sustain many of the allegations made by the investigators or to warrant the initiation of a criminal investigation."

Casey wrote that she was not foreclosing future prosecutions about issues covered in the referral or related matters "in the event any office or the FBI are given access to records or information indicating that prosecutable cases can be made."

Meeting resistance

While wondering what happened to their first referral, Lewis and other Kansas City investigators began work on nine more criminal referrals growing out of the Madison case.

In September 1993, however, when the team was ready to send the new referrals to the Clinton Justice Department, they were beginning to meet new resistance to pursuing the matter, some of it allegedly coming from within their own agency.

Lawyers in the RTC's Professional Liability Section, which usually handles civil matters, were alarmed that one of the nine referrals again mentioned the Clintons' Madison-related company, Whitewater Development, agency sources said.

> "I'm sorry, but I just can't comment. My hands are tied. I'd like to keep my job."
>
> — RTC investigator L. Jean Lewis

Outside the agency, Justice Department officials and others in Washington were trying to convince the Kansas City office to change some conclusions in the referrals, according to information that came to light last week.

Most alarming to Washington officials were assertions in the investigative reports that Madison had indeed suffered losses because of Whitewater, agency sources and others have said. But the Kansas City investigators stuck by their belief that the thrift lost money through a Whitewater-related check-kiting scheme and other transactions.

Lewis was adamant. And, according to notes she kept of a taped conversation, she talked about those concerns with April Breslaw, a deputy lawyer for the Federal Deposit Insurance Corp.

Lewis quotes Breslaw in her notes as saying that "people at the top" were getting asked frequently about Whitewater and that the "head people," while wanting an "honest" investigation, would "like to be able to say that Whitewater did not cause a loss to Madison."

Breslaw could not be reached for comment at her office on Friday. But last week she told *The New York Times* that Lewis wasn't telling the truth: "I categorically deny the accusation that I said that anybody from Washington wanted any particular outcome on any issue."

Nevertheless, sources inside the RTC said the agency's lawyers in the Professional Liability Section delayed the referrals, arguing that references to Whitewater be altered. The dispute occurred at about the same time White House officials were meeting on at least three occasions with Treasury Department officials who oversee the RTC.

The standoff in Kansas City grew so intense that by last September, agency sources said, they had heard reports that the FBI was considering an obstruction of justice investigation inside the agency.

To help break the stalemate, a top RTC official in Washington flew to Kansas City in the fall of 1993.

Finally, in October 1993, after a month's delay, the Kansas City office sent the nine referrals to the Justice Department.

The new referrals pursued a far broader range of suspicious [illegible] involving Madison than the earlier referral. Only one of the nine current referrals deals with Whitewater and Madison, sources familiar with the investigation say.

Among other things, the Whitewater-related referrals outlined at least [illegible] check-kiting and efforts to funnel money in [illegible] Clinton to help him pay off a $50,000 personal loan from his 1984 campaign.

The referrals, according to records obtained last week, allege that in one instance James McDougal drew a $30,000 check off the Whitewater account at Madison in April 1985 and converted it into a cashier's check.

That check was then allegedly deposited with [illegible] National Bank of Little Rock, apparently to pay business expenses unrelated to Whitewater.

At the time, Whitewater's account only had $28,000, records indicate. To cover the overdraft, McDougal allegedly moved money into the Whitewater account by paying himself a "pre-bonus" from Madison Financial, the S&L's real estate subsidiary, [illegible].

In all, sources alleged, funds might have been shifted from three or four different accounts to keep ahead of such an overdraft. Madison [illegible] may have written off bad Whitewater checks as losses, sources said, adding to the [illegible] losses at the S&L.

Sources have told *The Kansas City Star* that during one six-month stretch of time — December 1984 to May 1985 — $330,000 to $1 million in problem checks were written on the Whitewater account.

Some of those checks were written to pay normal development costs, such as grading a road, for the Whitewater project in north-central Arkansas. Sources familiar with the RTC referrals said they know of no checks written by either of the Clintons.

Lewis documented that $70,000

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was transferred from other Madison companies into Whitewater during a six-month period, suggesting that Whitewater was benefiting from its connection to the thrift. She concluded that, if suspicious transactions could be tracked for a longer stretch of time, "the loans to Madison from the Whitewater account alone would easily exceed $100,000."

RTC investigators in Kansas City also uncovered evidence of suspicious campaign contributions to Clinton in 1986.

In one instance, a $30,000 loan from Madison Guaranty allegedly was converted into cashier's checks in amounts of $3,000 apiece, a source says. The checks then were allegedly given to close associates of the McDougals, including Madison directors, who then contributed money in their own names.

Sources familiar with the allegations would not say whether the loan that allegedly made the contributions possible was paid back.

Procedural questions

In recent days, RTC spokesmen in Washington refused to discuss allegations that the agency's lawyers stalled the Whitewater investigation. They said the agency's Professional Liability Section lawyers, who normally handle civil cases, fulfilled their proper roles by screening the criminal referrals before the Justice Department was allowed to see them.

But current and former agency lawyers and other officials interviewed by *The Star* say the actions of the Professional Liability Section were unusual, and may have constituted a serious conflict of interest.

"The FBI and the Justice Department were aware PLS was trying to stop the investigations," said one agency source. "These referrals would have been out a long time before they were if not for the PLS."

Heavy PLS involvement in criminal referrals was a first, agency sources said. The referrals previously were sent directly to the Justice Department or other agencies after they were written and reviewed by RTC criminal investigators or "criminal investigators."

Official RTC spokesmen refused to respond in detail to the allegations or new reporting procedures, but argue that lawyers in the Professional Liability Section have always reviewed criminal referrals before they are sent to the Justice Department, the FBI or other investigative agencies.

Sources inside the agency, though, say the practice is new.

"I just simply did not review criminal referrals," said Tom Burnside, a former PLS lawyer who left the agency last year for a St. Louis law firm. "When I left the RTC, not only was it not a policy, but policy was that criminal referrals were not our responsibility."

Bruce Federson, currently a PLS attorney for the agency in Denver, agrees. "Whenever you start mixing civil and criminal claims, you cause problems with both of them."

One problem: possible conflicts of interest. For example, a PLS lawyer pursuing a civil case against a thrift official might be in a position to threaten to send a criminal referral to the Justice Department if the civil case were not settled. One RTC lawyer said such action would be considered extortion.

A veteran East Coast RTC investigator, who said he would be fired if his name was used, said his fellow investigators in Kansas City did everything possible to make the system work in the Whitewater case.

Nevertheless, last November Lewis was abruptly removed from the RTC case. Although no formal explanation has been given, Lewis was suspected by federal officials of having leaked information to a reporter, sources said. But leaks continued after Lewis was reassigned, a Justice Department source said, adding that "it looks like she might not have been the right person."

Despite her removal, Lewis continues to show an intense interest in the investigation and continues to monitor the case, passing along thoughts in freelance electronic mail messages to colleagues.

Lewis, recently recovered from a bout with bronchitis, says she hasn't read stories on the Whitewater affair in recent days. Asked to comment on her recent personality in the case, she said: "I'm sorry, but I just can't comment. My hands are tied. I'd like to keep my job."

Now Lewis is working for Robert Fiske, the special counsel designed last month to investigate Whitewater by Attorney General Janet Reno. She was in Little Rock earlier this month.

In the end, the grand jury and Fiske will have the last word on whether it is Lewis — or her detractors — who is on the mark.

INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: April 5, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are four (4) news articles from Nexis, relating to Madison Guaranty, dated April 4, 1994.

LEVEL 1 - 1 OF 4 ITEMS

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

April 4, 1994, Monday, PM cycle

SECTION: Washington Dateline

LENGTH: 485 words

HEADLINE: Documents Show S&L In Whitewater Probe Tried Merger With Healthy Bank

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: WASHINGTON

BODY

The ailing S&L now at the center of the Whitewater controversy explored the possibility of merging with a healthy bank also owned by the thrift's owner, according to documents released today.

The records show that Madison Guaranty Savings and Loan Association, owned by James McDougal, was interested in merging with a bank in rural Arkansas in which McDougal also had the controlling interest.

The merger was being considered at the same time that Hillary Rodham Clinton's former law firm was lobbying state regulators to allow the thrift to use a new recapitalization plan to help pump cash into the S&L.

Special Counsel Robert Fiske is now probing the failure of Madison to learn whether depositor funds were improperly diverted to the Whitewater Development Corp., a real estate venture owned by McDougal, his then-wife, and Bill and Hillary Clinton. He is also trying to discover whether depositor funds were shifted to Clinton's 1984 gubernatorial campaign fund.

If the proposed merger with Madison Bank and Trust had gone through, and the smaller bank was made a subsidiary of the thrift, its cash assets could have improved the ailing S&L's balance sheets - increasing its likelihood of borrowing money from other sources.

"Chairman Latham informed the board that the law firm of Mitchell, Selig and Tucker had been contacted to handle the merger application involving Madison bank and Trust of Kingston and the savings and loan," note minutes from the Sept. 19, 1985, meeting of the S&L's board of directors.

The notation refers to John Latham, who chaired Madison Guaranty's board of directors.

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The next item in the minutes reviews cash advances obtained from the Federal Home Loan Bank - a loan fund then available from the federal government that could be used to help keep troubled S&Ls afloat.

However, the Sept. 19 minutes do not show how much was borrowed from the government.

As yet another sign of the S&L's declining fortunes, the Oct. 17, 1985, minutes show that the board approved a legal accounting measure in which a $ 2.7 million overdraft at Madison Financial Corporation, a thrift subsidiary, was counted instead as an investment by the parent company in MFC.

The minutes provide no details about where MFC's $ 2.7 million went, but the S&L would be criticized by federal regulators less than a year later for the amount of money loaned to or invested in subsidiary companies.

The records were among more than 8,000 pages of records, minutes of board meetings and lending documents released today by the Resolution Trust Corp., the federal agency overseeing the S&L cleanup.

However, many of the documents - particularly those detailing lending arrangements - have been altered, for privacy reasons, to conceal the names of the individuals or corporations receiving the loan. Other removals were made because the loans in question are now under Fiske's review.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 4, 1994

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LEVEL 1 - 2 OF 4 ITEMS

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

April 4, 1994, Monday, AM cycle

SECTION: Washington Dateline

LENGTH: 959 words

HEADLINE: Documents Detail Decline of S&L at Center of Whitewater Probe

BYLINE: By RICHARD KEIL

DATELINE: WASHINGTON

BODY

More than 8,000 pages of documents from an S&L at the center of the Whitewater controversy detail its collapse under the weight of risky investments, bad loans and a lack of cash reserves.

The papers released Monday by the Resolution Trust Corp. do not focus on Bill or Hillary Clinton or on the Whitewater Development Corp.

However, they do offer a glimpse into Madison Guaranty Savings and Loan's failing fiscal health, much of which occurred under the stewardship of James McDougal, who was also a partner of the Clintons in the Whitewater real estate venture.

The documents, including records of delinquent loans, minutes of board meetings and details on investment strategies, were released under Freedom of Information Act requests by The Associated Press and other news organizations.

Asked for comment Monday, McDougal dismissed the RTC, the S&L cleanup agency, as "an arm of the Republican National Committee."

McDougal, who was acquitted of bank fraud in a 1990 trial, is seeking the Democratic nomination for a congressional seat from Arkansas.

Special Counsel Robert Fiske is now probing the failure of Madison, trying to learn whether depositor funds were improperly diverted to Whitewater or to Clinton's 1984 gubernatorial campaign fund.

Meanwhile, The Wall Street Journal reported Monday that Fiske is expected to release a report later this month supporting the conclusion by U.S. Park Police that former White House Deputy Counsel Vincent Foster killed himself.

Foster, who died last July, had been handling the Clintons' financial affairs and had been working on Whitewater-related matters in the weeks before his

death. Some of those documents were removed from his office by White House officials on the night of his death; they were then given to the Clintons' personal attorney, David Kendall, who turned them over to Fiske.

The newly released documents leave unanswered some key questions - such as who got which loans - since the names of individual recipients were stricken from the documents.

Information included in the documents cites two main reasons for withholding the names - privacy, or because details and paperwork are now part of Fiske's criminal probe.

Even so, some details emerge from the dry prose of the bank documents.

On Dec. 27, 1984, for instance, minutes show the board decided to "waive overdraft charges for Directors of both the Savings and Loan and its Service Corporation."

Two years later, federal regulators would criticize Madison for the vast number of loans to insiders and other alleged abuses by those connected to the institution.

A separate list of lawsuits filed by the S&L and its receivers against delinquent loan recipients provided some clues about the Madison loan portfolio.

By the mid-1980s, Madison was in danger of collapsing under nearly 200 delinquent loans worth $ 15 million, according to records from the S&L's files, which the RTC released.

By 1987 - the year after federal regulators kicked out McDougal - the S&L's overseers had gone to court against 105 delinquent borrowers, including McDougal and the family of a former director at the thrift, Charles Peacock IV.

In a series of loans, McDougal and Peacock's family had borrowed $ 1.5 million from the institution and hadn't paid it back.

Among the other major delinquent borrowers:

-Brothers of Susan McDougal, then McDougal's wife, $ 300,000.

-Businessman Dean Paul, an associate of Whitewater figure and ex-municipal judge David Hale, $ 825,000. Hale's lawyer, Randy Coleman, said last month that $ 300,000 of the loan had gone to Mrs. McDougal.

In 1985, the records show, Madison was interested in merging with a rural Arkansas bank in which McDougal also had the controlling interest.

The merger was being considered at the same time that Hillary Rodham Clinton's former law firm was lobbying state regulators to allow the thrift to use a new recapitalization plan to help pump in cash.

If the proposed merger with Madison Bank and Trust had gone through, and the smaller bank was made a subsidiary of the thrift, its cash assets could have improved the ailing S&L's balance sheets - increasing its likelihood of borrowing money from other sources.

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"Chairman Latham informed the board that the law firm of Mitchell, Selig and Tucker had been contacted to handle the merger application involving Madison Bank and Trust of Kingston and the savings and loan," say the minutes from the Sept. 19, 1985, meeting of the S&L's board of directors.

The notation refers to John Latham, who chaired Madison Guaranty's board of directors. And the law firm doing the exploratory work included Jim Guy Tucker, the current Arkansas governor.

Tucker had also helped McDougal purchase the bank in 1980; in July 1986, documents show, Tucker's firm disqualified itself from working on this and other Madison matters because of the potential conflicts of interest stemming from Tucker and McDougal's dealings with one another.

The next item in the Sept. 19, 1985, minutes reviews cash advances obtained from the Federal Home Loan Bank - a loan fund then available from the federal government that could be used to help keep troubled S&Ls afloat.

However, the Sept. 19 minutes do not show how much was borrowed from the government.

As yet another sign of the S&L's declining fortunes, the Oct. 17, 1985, minutes show that the board approved a legal accounting measure in which a $ 2.7 million overdraft at Madison Financial Corp., a thrift subsidiary, was counted instead as an investment by the parent company.

The minutes provide no details about where MFC's $ 2.7 million went - but it was this kind of arrangement that drew the ire of Federal Home Loan Bank Board examiners during a 1986 audit.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 4, 1994

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LEVEL 1 - 3 OF 4 ITEMS

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The Houston Chronicle

April 4, 1994, Monday, 2 STAR Edition

SECTION: A; Opinion; Pg. 13

LENGTH: 943 words

HEADLINE: Administration rivalries hurting Clinton almost as much as Whitewater

BYLINE: E.J. DIONNE

BODY

THE Whitewater controversy has set off a quiet civil war inside the Clinton government, deepening factional rivalries and creating opportunities for shifts in the internal balances of power. For President Clinton, getting Whitewater under control will now have to include pacifying his own administration.

The good news for Clinton is that his effective performance at his recent news conference reassured many of his own appointees -- not to mention Democrats in Congress -- and sent his poll ratings back up. But it is characteristic of the problems Clinton faces that everyone is blaming everyone else for the foul-ups that delayed his public embrace of openness.

Factionalism, of course, affects every administration, and Clinton's was bound to have more of it than most. Because Clinton believes, correctly, that a successful Democratic presidency will necessarily mix policies from the center and the left, he is always in a position to disappoint some group whose support he ultimately needs.

Many of the moderate and conservative Democrats who loved him for what he did to pass the North American Free Trade Agreement can't stand his health-care plan. The strongest backers of far-reaching health-care reform are liberals who, in most cases, opposed NAFTA.

The administration has also been divided by sometimes fierce fights over the budget between those who saw deficit reduction as the highest priority, and others who feared that too heavy an emphasis on deficit reduction would leave Clinton with no money to spend on innovations in domestic policy.

Having the broad spectrum of Democratic opinion represented in his government is, in the end, a healthy thing for Clinton. But the sour mood created by Whitewater has given the factionalism a bitter, personal edge, highlighting divisions that have little to do with ideology.

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There are, for example, resentments in the Cabinet agencies at the power of the White House inner circle that can now play out as criticism of the White House's handling of Whitewater. Even Clinton's savvy Cabinet officials were not asked for advice when they might have helped him out of his jam. And on some issues -- particularly health care -- the Clinton operation has been unusually centralized. Those who were left out when the Clinton health plan was written are not unhappy over the large role Congress is assuming in rewriting it.

Clinton's circle of outside political consultants has also come under attack. When Clinton critics say ""they still think they're running a campaign over there,'' that's usually a coded way of lobbing a grenade at James Carville, Mandy Grunwald or Paul Begala, the 1992 campaign veterans who are criticized for prefering quick-response attacks to explanation and reassurance.

Defenders of the political advisers say the real problem in the White House has been the excessive role of ""the lawyers,'' who are accused of resisting Whitewater disclosure long after anyone with political sense understood the importance of answering questions. The Whitewater controversy has also been a nightmare for David Gergen, who is seen by some Clintonites as insufficiently liberal or insufficiently loyal, and by his supporters as the chief purveyor of a strategy of openness.

The cost of White House divisions was probably felt most keenly by George Stephanopoulos, the senior Clinton adviser who, blew up at the decision of the Resolution Trust Corp. to hire Jay Stephens to handle cases involving Madison Guaranty. That's the savings and loan whose owner was the Clintons' partner in Whitewater. Stephanopoulos emerged as the heavy who wanted to know if Stephens, a partisan Republican and vocal Clinton foe, could be dumped. Deputy Treasury Secretary Roger Altman emerged in the press accounts as the reasonable voice who stopped anyone from sacking Stephens.

Stephanopoulos came out whole because he's well-liked, because even Republicans understood his ire, and because nothing happened to Stephens. But the episode showed how damaging the internal maneuvering and responsibility-passing over Whitewater can be. Stephanopoulos' friends are mad about the leaks against him.

Altman feels aggrieved because of what he saw as undue pressure from the White House to hang on to his job as acting head of the RTC even after he thought it appropriate to recuse himself.

For all the problems Clinton faces, he has bought some time.

By answering questions quietly and without rancor toward the press or the Republicans, he undermined the perception that he was trying to hide something. Rep. Jim Leach, the Iowa Republican whose reputation for bipartisanship has given his charges against Clinton added credibility, is increasingly being treated as a partisan in

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the Whitewater matter. This means his accusations will now be examined more critically. And the press itself is raising questions about the tone of its Whitewater coverage.

But Clinton needs to use the opening to bring order out of the chaos Whitewater has left in its wake. At least some of the president's friends are telling him it's his responsibility to fix the free-form structure that he has encouraged in his White House.

Blurry lines of authority have aggravated the tensions among those who work for Clinton without making it easier for them to challenge him when he should be. It's hard enough to deal with Whitewater, manage an unruly coalition and explain that complex mix of ideas that is Clintonism. When your friends and appointees start turning on each other, those tasks become impossible.

LANGUAGE: ENGLISH

TYPE: Editorial Opinion

NOTES: Dionne is a columnist for the Washington Post.

LOAD-DATE-MDC: April 5, 1994

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LEVEL 1 - 4 OF 4 ITEMS

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USA TODAY

April 4, 1994, Monday, FINAL EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 130 words

HEADLINE: Dem: Issue 'will recede'

BODY

Democratic National Chairman David Wilhelm says President Clinton's Whitewater troubles will not be a major issue in fall elections.

"I think Whitewater will recede . . . because the president and the first lady are cooperating with the special counsel," he said Saturday on CNN's Evans & Novak.

Also, The Washington Post reported Resolution Trust Corp. investigators last year named Clinton's 1984 gubernatorial campaign as a target in their criminal probe of Madison Guaranty Savings & Loan.

A possible diversion of $ 60,500 in funds from the failed Arkansas thrift to the campaign with the knowledge of campaign officials was one of 10 "criminal referrals" the RTC submitted to the Justice Department, an official close to the investigation told the newspaper.

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: April 12, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are three (3) news articles from Nexis, relating to Madison Guaranty, dated April 11, 1994.

LEVEL 1 - 1 OF 3 ITEMS

Copyright 1994 The Dallas Morning News

THE DALLAS MORNING NEWS

April 11, 1994, Monday, HOME FINAL EDITION

SECTION: VIEWPOINTS; JEFF COHEN, NORMAN SOLOMON; Pg. 11A

LENGTH: 589 words

HEADLINE: Press bungled Whitewater

BYLINE: Jeff Cohen, Norman Solomon, Creators Syndicate

BODY

Supporters of Bill and Hillary Clinton suggest that the Whitewater venture from their Little Rock days is old news. The election is over, the argument goes, and the voters chose Mr. Clinton.

But Whitewater never became a campaign issue.

That's because most national media preferred to cover campaign melodrama and sound bites about baking cookies" rather than complex stories of corporate collusion with politicians - especially when the stories weren't pushed by an establishment party or politician.

Today, leading Republicans seem to want to talk about nothing but Whitewater and the Madison Guaranty Savings and Loan. That wasn't the case during the '92 campaign.

No wonder George Bush and his allies were silent. Mr. Bush had his own - much more costly - bank scandals to worry about.

Taxpayers lost $ 47 million when Madison, owned by Clinton crony James McDougal, failed. But taxpayers lost $ 1 billion in the collapse of the Silverado S&L, which boasted first son" Neil Bush as a board member. And $ 5 billion was lost in the BNL bank scandal, which involved George Bush himself - while BNL funds helped arm Iraq's Saddam Hussein.

One Clinton opponent who wasn't silent about Whitewater in 1992 was Jerry Brown. Rather, he was silenced in much of the press.

On March 8, 1992, investigative reporter Jeff Gerth broke the story in the New York Times. The article asserted that Bill and Hillary Clinton were under little financial risk" in the Whitewater deal, and that Hillary and the powerful Rose Law Firm represented Mr. McDougal's S&L in filings before a state agency.

The next day's newspapers featured Bill Clinton's responses to the article. Ignored was Jerry Brown's news release calling on Bill Clinton to release all papers pertaining to his ties to the failed Madison Guaranty. "

Six days later, a Washington Post report scrutinized the Rose Law Firm's

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representation of various corporate clients in front of state regulators appointed by Gov. Clinton. The article also reported: One of Rose's most lucrative clients is the state government."

Hours after the Post story broke, Mr. Brown accused Gov. Clinton of funneling money to his wife's law firm for state business." Mr. Clinton called it a lying accusation."

The next day, Hillary Clinton defended her husband with an appeal that would be prominently quoted for years to come: I suppose I could have stayed home and baked cookies and had teas.

But what I decided to do was pursue my profession."

By contrast, her response to a question about whether she had represented Madison S&L was hardly quoted at all: For goodness sake, you can't be a lawyer if you don't represent banks."

Within a week, Whitewater was virtually dead as a campaign issue. A key reason elite media dropped the story was that the only newsmaker pushing it was Jerry Brown - an anti-establishment candidate.

These days - as if overcompensating for dropping the ball on what should have been a serious campaign issue - national media have been inflating the story. Today's media onslaught on Whitewater is propelled day after day by quotes of outrage from Republican senators like Phil Gramm, who received favors from a Dallas operator of three failed S&Ls, and Alfonse D'Amato, whose dealings for relatives were rebuked by the Senate Ethics Committee.

Having sidestepped the story two years ago, many news outlets are now drowning in it.

Jeff Cohen and Norman Solomon write about the media. Their column is distributed by the Creators Syndicate.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 12, 1994

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LEVEL 1 - 2 OF 3 ITEMS

Copyright 1994 The Washington Post
The Washington Post

April 11, 1994, Monday, Final Edition

SECTION: STYLE; PAGE B2

LENGTH: 818 words

HEADLINE: Media Notes;
A Story That Writes Itself

SERIES: Occasional

BYLINE: Howard Kurtz, Washington Post Staff Writer

BODY

Sportswriter, a $ 100 software program for newspapers, spits out cliche-packed accounts of athletic contests with little need for human intervention, according to a Wall Street Journal dispatch.

Perhaps there is also some money to be made from Whitewaterwriter, a bit of off-the-shelf scandal software. To wit:

In a [disturbing] [stunning] disclosure, White House aide [blank] made a [heated] [angry] [threatening] phone call last week to a [key] [high-ranking] official at [fill in the agency], raising the specter of further [complications] [stonewalling] [obstruction of justice] in the Whitewater affair.

According to [informed] [reliable] sources, [blank] said he was merely [blowing off steam] [checking on the weather] [dialing the wrong number] when he [asked] [demanded to know] the status of the government investigation into [Madison Guaranty loans] [Web Hubbell's father-in-law] [Hillary's bingo gambling].

Republican reaction was [swift] [predictable]. "This is another example of [the Clintons' hypocrisy] [the bunker mentality at the White House] [the moral bankruptcy of '60s liberals]," said [Rep. Jim Leach] [Sen. Al D'Amato] [the Wall Street Journal editorial page].

White House counselor David Gergen [said] [complained] [grumbled] that the press is [obsessed with] [mesmerized by] [making too much of] Whitewater. He urged reporters to [put things in perspective] [deal with the problems of the country] [get a life].

The possibilities are intriguing ...

Jumping the Gun

The New York Times rushed to announce the appointments of its top two editors

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Thursday to avoid being scooped on the story.

The Times had planned to make the news public this week. But Ken Auletta, The New Yorker's media writer, had confirmed that Joseph Lelyveld would succeed Max Frankel as executive editor and was planning to break the news in the issue out today. Auletta didn't know that former Philadelphia Inquirer editor Eugene Roberts would become managing editor, but he knew the job would go to someone near retirement age -- what he calls "the Chernenko option," after the aged Soviet leader.

Lelyveld and Publisher Arthur Sulzberger Jr. called Auletta to say his scoop had evaporated. "Someone important called me at 8 a.m. to say, 'Sorry we've got to do this to you. We can't allow another publication to make our announcements for us,' " Auletta says. "I think they were gentlemen about it."

Spiked

When Newsday asked freelance writer John Judis to review a new book by its much-acclaimed columnist, Murray Kempton, Judis figured the paper wanted an independent assessment. But Newsday promptly killed his negative review of Kempton's collected essays, "Rebellions, Perversities and Main Events."

Judis says Book Editor Jack Schwartz told him the piece was "a demolition job" and "too critical" of "one of their authors." Judis adds, "I was annoyed. If a book review expects a reviewer to take a certain line, they should either warn the person beforehand or they shouldn't assign it to someone who is independent."

Judis says the review said Kempton is "the best columnist in America but that the essays don't stand up to other authors of the last 30 or 40 years, like Dwight Macdonald or Norman Mailer."

Schwartz says he simply didn't like Judis's review. "He's free to write what he likes, and I'm free to run what I like," he says.

Schwartz would not say whether he is looking for a more sympathetic reviewer for Kempton's book. "I must tell you, he says, "I think this was an unfair piece, period."

Toning Down Violence

A Minneapolis station is bucking a national trend by omitting footage of violent crime from its 5 p.m. newscast.

WCCO-TV News Director John Lansing says crime stories labeled "family sensitive" are designed to avoid exposing children to blood-and-guts pictures. Explanatory material is also added, such as an interview with a child psychologist after a teenager committed suicide.

Lansing got the idea from community meetings: "The first thing people said at almost every meeting is that TV news is too violent. One guy stood up and said,

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'You hear about a homicide on the scanner. You send a crew out and shoot the body bag. You run back and write three sentences, and you think you're covering the crime problem.' "

Lansing concluded that violence "is really driving people away from the news," although he hasn't changed his 6 p.m. and 10 p.m. newscasts. About 20 other stations nationwide are considering a similar approach.

How's That?

In a correction Tuesday, the New York Times said a story the previous day had "misidentified" Alan Murray, who it said was the Wall Street Journal's "deputy Washington bureau chief, not the bureau chief." On Wednesday the Times corrected the correction, promoting Murray back to his actual job as bureau chief.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 11, 1994

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LEVEL 1 - 3 OF 3 ITEMS

Copyright 1994 News World Communications, Inc.
The Washington Times

April 11, 1994, Monday, Final Edition

SECTION: Part A; NATION; INSIDE POLITICS; Pg. A7

LENGTH: 1681 words

BYLINE: Alan McConagha; THE WASHINGTON TIMES

BODY

HUTTO RETIRES

Rep. Earl Hutto says he won't seek re-election from his Pensacola, Fla., district in order to spend more time with his family and work on his golf game.

The 67-year-old Democrat, elected to Congress in 1978, said: "Throughout my political career, I have steadfastly not shortchanged my family. But in retirement I look forward to being with family and friends even more."

Mr. Hutto has one of the more conservative records among House Democrats. He opposed lifting the ban on homosexuals in the military and fought to maintain operations at Eglin Air Force Base in Fort Walton Beach.

He is the 42nd House member to announce he will leave office after this term.

THE TIMES' VIEW

A New York Times editorial yesterday suggested that the Whitewater coverage is now in a backlash of self-doubt and observed that in the past every time the press laid off a story, it was the wrong thing to do.

The Times said there is always a danger of press error or excess and investigative efforts produce stories that are provocative but incomplete because of an information vacuum created, in this case, by White House aides.

"But the worst thing that it [the press] could do is go wobbly under the Gergen-McLarty spin that it all took place 15 years ago and the rules were different then," said the Times.

"Continuous vigorous inquiry will be healthy for the body politic and, in the long run, for the Clinton administration.

"Its record . . . on sensitive issues so far has been appalling, starting with the use of the FBI to discredit White House travel office employees and continuing through meddling with the investigative independence of agencies as diverse as the National Park Service police and the Resolution Trust Corporation.

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"Whether that conduct was illegal is a determination to be made by due process. Whether it should be rejected politically is up to the voters. But it is impossible to make any responsible journalistic argument for looking the other way."

HEALTH CARE

Paul Begala, a political consultant who advises the White House, said skepticism about the Clinton health care plan may be changing, partly because of the president's rise in the polls and partly because Congress is moving ahead on crime and other legislation the nation considers important, the Chicago Tribune reports.

Washington is preoccupied with Whitewater, Mr. Begala added in an interview with the Tribune's William Neikirk. Supporters outside Washington have told Mr. Begala that the president would fare better in the polls if he demonstrated he is working on the tough problems like health care and jobs. "It turns out they're right," Mr. Begala said.

MOVING SOUTH

Black migration from Northern cities to the South has risen dramatically. The greatest numbers have gone to the South Atlantic region, according to the Joint Center for Politicital and Economic Studies reports.

Atlanta got the most of the migrants - nearly 75,000 between 1985 and 1990. Some 29,000 blacks moved to Norfolk, more than 17,400 to Raleigh-Durham, N.C., and 12,500 to Richmond, says the Richmond Times-Dispatch.

Researcher William H. Frey says economics is a factor. College-educated migrants seek cities with expanding professional opportunities. Low-income migrants want lower living costs where blue-collar and service jobs dominate and friends and relatives are available for social and economic support.

PINNING IT DOWN

The Associated Press says Hillary Rodham Clinton's image is "somewhere between the woman that TV talk show host Larry King calls 'sexy, romantic, flirtatious and bright' to the individual that Britain's Economist magazine likens to Shakespeare's villainous Lady Macbeth."

THAT'S BASEBALL

Senate Majority Leader George Mitchell notwithstanding, former Georgia Sen. Wyche Fowler was interviewed last week by team owners for the job of commissioner of major league baseball.

Mr. Fowler told Media General News Service one owner asked, "Why should we hire a washed-out politician when we could have someone of great stature like [former Chairman of the Joint Chiefs of Staff] Colin Powell?"

"Because you couldn't fire Colin Powell," Mr. Fowler said he replied to the interviewers. "And all of the heads of all of the owners began to nod at once."

CITIZEN PEROT

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Billionaire Ross Perot has re-emerged to pledge support for ailing Persian Gulf veterans in their effort to get federal recognition and aid for their mysterious illnesses, the Dallas Morning News reports.

Mr. Perot says he has set up a database at his Dallas office that eventually will include names, addresses and phone numbers of afflicted Persian Gulf soldiers. An aide says Mr. Perot "is very serious" about the effort.

AMONG THE GRIZZLIES

Interior Secretary Bruce Babbitt has begun a monthlong tour to look into the deterioration of national parks. He says he is on a rescue mission and adds, "I hope I'll be sighted in more parks than Elvis."

BUSH: MORE SOUL

In Poteau, Okla., former President Bush expressed regret over the weekend for his failure to help American families more during his term in the White House, lamenting "the hollows of America's soul."

"But if I had a chance to do one thing, it would have been to further the return to this country of an internal moral compass. We cannot continue to produce generations born into despair. We must say every choice is a moral choice, and some things are simply morally wrong."

He lectured twice Friday as part of the Jimmy Carter Lecture Series at Carl Albert State College, named after former House Speaker Carl Albert.

MORE WHITEWATER

For a sizable segment of Americans, Whitewater has become an issue of whether President Clinton can be trusted, says Carl M. Cannon of the Baltimore Sun.

Providing a list of the Clintons' "fibs or misdirections" on Whitewater, Mr. Cannon notes that they concern highly material facts - and have come at crucial times in their political history.

Former California Gov. Jerry Brown is one politician who feels vindicated for raising an integrity issue. He had asked whether Mrs. Clinton had properly represented clients before Arkansas regulatory agencies.

Mrs. Clinton never "lobbied me or any state agency that I'm aware of," Mr. Clinton told the press at the time. Later, it was discovered she had been under retainer to Madison Guaranty S&L and exchanged letters with a state S&L regulator.

"He [Mr. Clinton] attacked me, then used his wife as a shield," Mr. Brown told Mr. Cannon. "But I don't know that I could have put it any more accurately."

OFF-YEAR VIRTUE

"The last presidential election saw more straight-ticket voting than any

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election since 1948," says columnist Michael Barone in U.S. News & World Report.

"If that trend continues, House races will depend more on attitudes toward the Clinton administration and on concern about the nation's moral decay - and less on the campaigning abilities of candidates, which for years have favored the more politically adept Democrats. That gave the Democrats more seats in Congress than the popularity of their ideas would suggest.

"Now, with the White House held by Democrats, Republicans could be in a position to make gains on the strength of their ideas if they can connect with Americans' yearnings for a culture as strong as our economy and foreign policy."

HEALTH REDUX

As President Clinton continued to appeal for his health care plan, USA Today collected comments on Hillary Rodham Clinton's task force.

Ron Bayer of Columbia University's School of Public Health, who worked on the task force, says it was "too big, too secret, too bureaucratic, too isolated, too rushed, too eggheady."

"There were way too many people. There was no clear goal. It wasted the momentum that was there. What the hell was it for?" asks Thomas Pyle, who resigned from the task force. He is setting up a HMO for Metropolitan Life.

"In many respects it was a classic example of the 1960s," non-task force member Robert Moffit of the Heritage Foundation, told USA Today's Judi Hasson. "It was the '60s kids doing their research project."

But Linda Bergthold, a health benefits consultant, who led the group designing the benefits package, said, "Every single idea was already out . . . but we gathered the information and brought it to the single place."

WELFARE REFORM

Will Marshall, president of the Progressive Policy Institute, says President Clinton's challenge will be to persuade liberals to force poor people to go to work and to persuade conservatives to spend more money for social programs needed to achieve that end, the Boston Globe reports.

THE ADAM SMITH TIE

In an appreciation of Adam Smith in the Wall Street Journal, economist Herbert Stein said he suspects even those who wear the Adam Smith necktie as a sign that they are CPC - Conservatively Politically Correct - have not read the great man's masterwork, "The Wealth of Nations."

Those who wear the necktie are not honoring his genius but making a statement about their devotion to the idea of free markets and limited government, Mr. Stein writes.

But "The Wealth of Nations" shows their patron saint was not "pure or doctrinaire about this idea. He viewed government intervention in the market

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with great skepticism. He regarded his exposition of the virtues of the free market as his main contribution to policy . . .

"Yet he was prepared to accept or propose qualifications to that policy in the specific cases where he judged that their net effect would be beneficial and would not undermine the basically free character of the system.

"He did not wear the Adam Smith necktie," says Mr. Stein, listing cases in which Smith said government may intervene.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 11, 1994

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TRANSMITTAL MEMORANDUM LEGAL DIVISION PROFESSIONAL LIABILITY	RESOLUTION TRUST CORPORATION 1717 H STREET, NW WASHINGTON, DC 20006

MEMORANDA TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Breslaw
Carl Gamble
Jim Igo
Terry Arbit
Gloria Berry

FROM: Paula Stone

RE: "Madison Guaranty" news article search

DATE: April 8, 1994

Attached are the April 7, 1994 news articles (5) retrieved from Nexis relating to matters of "Madison Guaranty S&LA".

LEVEL 1 - 1 OF 5 ITEMS

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

April 7, 1994, Thursday, AM cycle

SECTION: Domestic News

LENGTH: 584 words

HEADLINE: McDougal Puts Steep Price Tag on Whitewater Documents

BYLINE: By JOEL WILLIAMS, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

He began by selling dirt from the Whitewater land venture. Now President and Mrs. Clinton's former business partner has a new idea for making money - selling Whitewater documents he just got from the White House. Price tag: $ 4,000.

The Clintons this week sent James McDougal about 2,000 pages of corporate tax returns, bank records on Whitewater loans and records on the sale of Whitewater lots, says a letter from the Clintons' lawyer, David Kendall.

McDougal's lawyer, Sam Heuer of Little Rock, said Thursday that anyone who wants copies of the documents can buy the package next Tuesday for $ 2 a page.

Heuer said McDougal needs the money for his legal defense.

"He's going to run into some pretty good-size expenses, especially when the congressional hearings begin," Heuer said.

Much of the money would go to pay Heuer, who says he has represented McDougal since last fall without pay.

McDougal, when asked about the price tag, took a slap at news organizations that have been covering Whitewater: "These capitalists in the East have made money off of us. I think it's only fair we turn it around."

At the White House, press secretary Dee Dee Myers said of the records, "They're his. He can do anything he chooses. He has said in the past that he would make them public. If you sell a house to somebody, you can't tell them they can't paint the walls green."

Heuer has said he expects an indictment of McDougal out of special counsel Robert Fiske's investigation, which includes the Whitewater project and its ties to the failed Madison Guaranty Savings & Loan that McDougal owned. The Clintons were 50-50 investors with McDougal and his then-wife, Susan, in

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Whitewater, a 230-acre vacation and retirement development in the Ozarks of northern Arkansas. All the investors say they lost money and broke no laws.

Last month, McDougal began offering dirt from one of the Whitewater lots for $ 19.95 per cubic foot, along with a "deed" giving buyers title.

He filed as a candidate for Congress last month, saying he would use his candidacy in the Democratic primary as a platform to speak out on Whitewater in the southern Arkansas district.

Heuer said several news organizations are interested in buying the package of documents.

The Clintons sold their interest in Whitewater to McDougal in 1992, agreeing to file three years of delinquent tax returns for the corporation and to return Whitewater records to him.

Before the White House sent them this week, McDougal had made several requests for the material. He has said that he needed the documents to file tax returns - and that they would help put to rest questions about the Clintons' role in Whitewater.

"I suspect that these will be beneficial to the president, to me and to the cause of decency," McDougal said.

The Clintons have declined to release the documents to the public.

Asked why he thought it took the White House so long to turn over documents that would support the Clintons' case, Heuer said, "It's been more bureaucratic problems than anything else - too many lawyers involved."

Meantime, John Podesta, the White House staff secretary, testified Thursday before a federal grand jury in Washington that is investigating contacts about Whitewater between the White House and the Treasury Department.

Podesta, who is the keeper of Clinton's personal notes and records, said he is confident Whitewater prosecutor Robert Fiske will conclude that "everyone in the administration acted in an ethical manner."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 7, 1994

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LEVEL 1 - 2 OF 5 ITEMS

The Associated Press

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April 7, 1994, Thursday, PM cycle

SECTION: Washington Dateline

LENGTH: 411 words

HEADLINE: Clintons' Lawyer Turns Over Records

BYLINE: By PETE YOST, Associated Press Writer

DATELINE: WASHINGTON

BODY

After repeated requests from their former Whitewater business partner, the Clintons are giving failed S&L owner Jim McDougal about 2,000 pages of records from the Whitewater real estate venture.

The Clintons sent McDougal corporate tax returns, bank records on $ 203,000 in Whitewater loans and contracts and payment records on the sale of Whitewater lots, says a letter by the Clintons' lawyer, David Kendall.

The paper trail sent to McDougal - while lengthy - falls far short of providing a complete picture on Whitewater, Kendall added in an April 4 letter released Wednesday by the White House.

McDougal - who needs the documents to file tax returns - has said they would help put to rest questions about the Clintons' role in Whitewater. The Clintons have refused to release the documents to the public, and, by their latest estimate, assert they lost $ 47,000 in the partnership with McDougal.

McDougal has said he turned Whitewater records over to the Clintons at their request a number of years ago.

But Kendall's letter to McDougal's lawyer says that "my clients have never possessed, nor have they or I been able to locate, anything approaching a complete set of records for Whitewater. For example, I have been unable to find stock books, corporate minute books and several other kinds of typical corporate records."

Messages left at the office of McDougal's lawyer, Sam Heuer of Little Rock, Ark., were not returned Wednesday night.

The Clintons sold their interest in Whitewater to McDougal in 1992, agreeing to file three years of delinquent tax returns for the corporation and to return Whitewater records to McDougal.

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McDougal has made several requests for the material since - most recently in an interview on national television.

Some of the Whitewater records were in the office of deputy White House counsel Vincent Foster at the time of his suicide last July. Then-White House counsel Bernard Nussbaum took custody of the Whitewater records and gave them to Kendall instead of to investigators looking into Foster's death. That step - which the White House didn't acknowledge publicly until last December - added fuel to the growing Whitewater controversy and was a factor leading to appointment of a special prosecutor.

The Whitewater records are now a central part of special prosecutor Robert Fiske's investigation of whether the Clintons' benefited from depositors' funds out of McDougal's failed S&L, Madison Guaranty.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 7, 1994

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LEVEL 1 - 3 OF 5 ITEMS

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Los Angeles Times

April 7, 1994, Thursday, Home Edition

SECTION: Part A; Page 15; Column 1; National Desk

LENGTH: 541 words

HEADLINE: CLINTON SENDS RECORDS TO FORMER WHITEWATER PARTNER

BYLINE: By DAVID LAUTER, TIMES STAFF WRITER

DATELINE: WASHINGTON

BODY

President Clinton has sent copies of Whitewater Development Corp. records to his former business partner, James B. McDougal, who had complained publicly earlier this year that he was unable to prepare his tax returns without the documents.

David E. Kendall, Clinton's lawyer, said in a letter to McDougal's attorney that he had sent the records -- about 2,000 pages of land sale contracts, escrow receipts and Whitewater bank account statements -- to McDougal on Monday. Kendall's letter was released by the White House on Wednesday.

McDougal's attorney, Sam Heuer of Little Rock, Ark., said Wednesday that he had received the records but that they remained sealed in his office.

"Jim (McDougal) hasn't been through them yet," Heuer said. "When he can come in, we'll catalogue them and see what they consist of."

Heuer said that although he is not required to keep the records secret, he will not allow anyone besides McDougal to look at them until he knows precisely what the files contain.

The records, which the White House has declined to release to the public, include the collection of Whitewater-related papers that were in the office of Vincent Foster, the White House deputy counsel who apparently committed suicide last summer.

The material also includes documents that Kendall has collected from other sources in recent months, the letter stated.

According to McDougal, whose account is not disputed by the White House, Foster obtained the Whitewater-related papers from McDougal before Clinton took office. At the Clintons' behest, Foster had offered to prepare several years of corporate tax returns for the Whitewater firm, which was formed by the Clintons and McDougal and his wife to build a resort community in the Ozarks.

McDougal apparently neglected to prepare and file the returns.

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Foster had completed his tax work and sent the necessary information to accountants before he died but had not returned the documents to McDougal.

The revelation that the papers were in Foster's office at the time of his death was key in thrusting the Whitewater controversy back into the nation's headlines and triggering the appointment of special counsel Robert B. Fiske Jr. to investigate the matter.

"As you are aware, all documents relating to Whitewater from Mr. McDougal and other sources which I have collected have been turned over to the special counsel without any claim of privilege of any kind," Kendall noted in his letter.

Kendall went on to note that neither he nor the Clintons "have been able to locate anything approaching a complete set of records for Whitewater. For example, I have been unable to find stock books, corporate minute books and several other kinds of typical corporate records."

Fiske is looking into allegations that President Clinton may have benefited improperly from his association with McDougal, owner of the failed Madison Guaranty Savings & Loan as well as a partner in the Whitewater development. Although the special counsel's inquiry centers on Whitewater, Fiske is also investigating Foster's death last July. His inquiry also encompasses the role played by First Lady Hillary Rodham Clinton and her Little Rock law firm in representing Whitewater and Madison Guaranty.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 8, 1994

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LEVEL 1 - 4 OF 5 ITEMS

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THE ARIZONA REPUBLIC

April 7, 1994 Thursday, Final Chaser

SECTION: EDITORIAL/OPINION; Pg. B5

LENGTH: 1027 words

HEADLINE: MEDIA STILL WALLOW IN WHITEWATER

BYLINE: By Richard Harwood

BODY

This has not been a triumphant Whitewater time for the press. Our prophecies of presidential doom were looking flimsier by the day as last week ended. Our credibility seemed to be sinking.

The fickle public, the new polls tell us, is rallying by the millions to the Clintons' defense. Their popularity ratings are up significantly; 70 percent think we've gone off the deep end by paying more attention to this affair than it deserves; nearly two-thirds have little or no idea what the fuss is about.

Politicians who have been fence-sitting for months have screwed up enough courage to challenge our rush to judgment. Mistakes in our reporting are being acknowledged, grudgingly in some cases. Corrections are beginning to appear. The White House claims to see light at the end of the dark Whitewater tunnel. Led by the president, it has taken the offensive. Following release of the president's tax returns, The Washington Post conceded that "Tax Records Back Clinton Account."

A full-page ad in the New York Times on March 29 declares: "WE INTERRUPT THIS NEWSPAPER TO GIVE YOU THE FACTS." It is a rebuttal to allegations made in the press and is signed by about a hundred Democratic partisans and political junkies including Charles Manatt, Carol Berman, Tony Coelho, Midge Costanza, Franklin D. Roosevelt III, Carol Tucker Foreman, Anne Wexler and others, among them the Washington sports impresario Abe Pollin as well as Tony Randall and Joanne Woodward.

Revisionism has set in about angry telephone calls made by George Stephanopoulos to Treasury officials over the hiring by the Resolution Trust Corp. of a partisan Republican, Jay Stephens, to handle possible civil suits arising out of the collapse of the Madison Guaranty Savings and Loan. Those calls made a big story with sinister overtones - obstruction of justice? It is a lesser tale today. Soon after it was published, Rep. Jim Leach, the Iowa Republican who is leading the Whitewater charge, minimized the seriousness of the calls. They were "pretty natural," he said. ". . . I think it would be premature to draw too heavy conclusions."

House Speaker Tom Foley agreed. Marlin Fitzwater, press secretary to former president George Bush, also defended Stephanopoulos. His reaction to the Stephens hiring, he said, was "pretty normal. I have to admit that if you stand

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in George Stephanopoulos's shoes, it would be a little difficult not to be surprised and outraged by that appointment." Earlier, the Republican patriarch, Barry Goldwater, had urged Republicans in Congress to get off the president's back.

Newsweek magazine ate crow over a story claiming Hillary Clinton had put no money into a commodities market deal that earned her a $99,000-plus profit in 1978 and 1979. The story relied heavily on quotes from a law professor at Columbia University, Marvin A. Chirelstein. He supposedly described the commodities coup as a "sweetheart deal" and said, "It doesn't look wonderful, does it?" Chirelstein denounced the story as "false and irresponsible," claimed he had been misquoted and said he was "simply outraged and humiliated" at Newsweek's distortion of his remarks. The magazine's Washington bureau chief, Evan Thomas, said the problem arose from a "misunderstanding" and promised, "If we need to make an apology to the White House at the end of all this, we will." The apology was made a day later.

Newsweek's chief competitor, Time magazine, had its own story, publishing details about Whitewater that supposedly came from "sources close to" Robert B. Fiske Jr., the Whitewater special counsel. Fiske challenged Time's claim to have a mole inside his shop. He said he was upset and disturbed by the story and has been assured by his staff that no such leak had occurred. Time stuck to its guns, but the challenge to its reliability was part of an emerging pattern in recent days in which the press itself is being scrutinized and put on the defensive.

The Post published a piece in most of its editions on March 23 in which the associate White House counsel, William Kennedy III, was represented as having admitted that he consciously employed a ruse to avoid scrutiny of his failure to pay Social Security taxes for the family's nanny. A retraction was published by The Post the following day, noting that the story "omitted a key word." He had "not" admitted to any effort to conceal the problem.

William Safire of the New York Times caused some journalistic clucking with a column - "Reading Hillary's Mind" - written in Hillary Clinton's voice: a stream of consciousness account of her fears of being exposed as an avaricious yuppie. It was great reading, but where, one asked, does a journalist obtain her mind-reading certificate? Safire, a renaissance man, may have mastered the art on foreign soil, the Himalayas perhaps. But he cited no credential.

Christopher Hanson, a correspondent for the Seattle Post-Intelligencer and a columnist for the Columbia Journalism Review, sighed in an op-ed piece in the Times: "We are in the age of tabloidization. There must be a hook for the booboisie. (But) there's still time to hope that the same forces that unleashed all the hype and shallow coverage may also prompt some reporters to dig harder. Who knows? Someday we may actually learn if there is a scandal here."

From London, Simon Hoggart of the Manchester Guardian, opined: "The world looks on, fearing that its leader will be paralyzed by events of scant interest or significance to anyone at all - perhaps this time even inside the Beltway."

Many decades past, Walter Lippmann reminded journalists that "every newspaper when it reaches the reader is the result of a whole series of selections as to which items shall be printed, in what position they shall be printed, how much

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space each should occupy, what emphasis each shall have. There are no objective standards here. There are conventions."

Journalists are all aware of the convention that admonishes us to be watchdogs. I am not aware of any convention that cautions us from time to time to cool it. In this case, it may not be a bad idea.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 8, 1994

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LEVEL 1 - 5 OF 5 ITEMS

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The Washington Times

April 7, 1994, Thursday, Final Edition

SECTION: Part A; NATION; Pg. A3

LENGTH: 693 words

HEADLINE: Clintons send McDougal Whitewater files to do taxes

BYLINE: Frank J. Murray; THE WASHINGTON TIMES

BODY

President and Mrs. Clinton's attorney sent 2,000 pages of Whitewater corporate records yesterday to the attorney for former business partner James B. McDougal, who says he needs them to do his 1993 income taxes.

Mr. McDougal, a partner with the Clintons and his then-wife, Susan, in Arkansas' Whitewater Development Corp., says he will make public all the records.

The Clintons' personal attorney, David Kendall, said the records are from two bank accounts, lot-sale escrow contracts, escrow receipts and payment records, and corporate tax returns. He said they do not include stock books, corporate minute books or other "typical corporate records," whose whereabouts he said are unknown.

"My clients have never possessed, nor have they or I been able to locate, anything approaching a complete set of records for Whitewater," Mr. Kendall said in a letter to Mr. McDougal's attorney, Sam Heuer of Little Rock.

The documents apparently include papers the president and Hillary Rodham Clinton said they could not find when the White-water-Madison story broke nationally in 1992, but it has not been determined if the files were among those found in White House Deputy Counsel Vincent W. Foster Jr.'s office the day he died.

The documents are copies of papers already provided to White-

water-Madison special counsel Robert B. Fiske Jr., who is investigating financial ties between Whitewater and the failed Madison Guaranty Savings and Loan Association, owned by Mr. McDougal. Madison, whose failure cost taxpayers $50 million, is suspected of diverting funds to prominent Arkansas politicians, including Mr. Clinton.

Mr. Fiske also is probing secret White House briefings by Treasury officials that may have impeded the federal investigation and the July death of Mr. Foster, which authorities have termed a suicide.

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Presidential Counselor David Gergen predicted yesterday "we can remove a bit of the suspense over these issues" in a few weeks when Mr. Fiske decides whether to file charges for contacts between White House staff members and federal financial regulators and when a ruling is issued on whether Mr. Foster killed himself.

"As soon as we can take some of the suspicion out of it, that will help," Mr. Gergen said in an interview on "The Diane Rehm Show" on WAMU-88.5 FM.

That would dispose of issues arising after Mr. Clinton took office, he said, referring to the watershed on what might or might not fall into the category of impeachable offenses.

"There is not much here. This is not a major-league deal. This is a minor-league deal," Mr. Gergen said, although the White House and the Clintons have been besieged with questions about Whitewater-Madison.

Mr. McDougal asked March 13 that he be given copies of the documents and said he could not file tax returns due April 15 because the Clintons refused repeated requests to give him access to the records.

Although the once wealthy Mr. McDougal and his ex-wife were friends and partners of the Clintons', the relationship has broken off, and Mr. McDougal has turned on his former business associates.

His demand for the records, voiced on ABC-TV's "This Week," included the accusation that the Clintons held them back because of "possible embarrassment from some aspect of it," although he did not elaborate.

Mr. McDougal said then he would make the Whitewater records public as soon as he got them.

"There's nothing there to hide from my standpoint," he said.

In his letter to Mr. McDougal's attorney, Mr. Kendall promised cooperation on supplying any other documents in the Clintons' possession that may have come from corporate records.

"What I have transmitted today represents my best estimate of what was obtained from Mr. McDougal," Mr. Kendall said.

"To the best of my knowledge, the Clintons did not possess any records of the company at all until late 1989 or early 1990, when their accountant sought to prepare the unfiled corporate tax returns for the past three years," Mr. Kendall's letter said.

GRAPHIC: Photo, James McDougal (left) and attorney Sam Heuer discuss Whitewater., By AP

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 7, 1994

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TRANSMITTAL MEMORANDUM LEGAL DIVISION PROFESSIONAL LIABILITY	RESOLUTION TRUST CORPORATION 1717 H STREET, NW WASHINGTON, DC 20006

MEMORANDA TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Breslaw
Carl Gamble
Jim Igo
Terry Arbit
Gloria Berry

FROM: Paula Stone

RE: "Madison Guaranty" news article search

DATE: April 6, 1994

Attached are the April 5, 1994 articles (4) retrieved from Nexis, which relate to matters concerning "Madison Guaranty S&LA".

LEVEL 1 - 1 OF 4 ITEMS

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

April 5, 1994, Tuesday, PM cycle

SECTION: Washington Dateline

LENGTH: 678 words

HEADLINE: Former Madison Employee Now Attorney at Rose Law Firm

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: WASHINGTON

BODY

A lawyer at Hillary Rodham Clinton's former law firm who is doing government savings and loan cleanup work was employed previously by the failed Arkansas S&L now at the center of the Whitewater controversy.

According to a federal official familiar with the case, Patricia J. Heritage, now an attorney at the Rose Law Firm in Little Rock, Ark., prepared records of board meetings at a subsidiary of Madison Guaranty Savings and Loan Association.

Heritage said in an interview Monday with The Associated Press that she had prepared the minutes of board meetings for Madison Financial Corp., the real estate subsidiary of Madison Guaranty, under the guidance of John Latham, a top official at the S&L.

Federal regulators have questioned whether those minutes may have been falsified, noting that other S&L documents appear to contradict the official version in the minutes.

"All I was told to do was to memorialize the meetings that took place between Jim (McDougal) and John Latham (another Madison official)," Heritage said. "I did that, checking accounting records, and land purchases, and I recorded them as needed."

Heritage, who never has been accused of any wrongdoing, also said she has cooperated with special counsel Robert Fiske. Fiske is probing the failure of Madison and whether depositor funds were diverted to the Whitewater Development Corp., a real estate venture in which President and Mrs. Clinton, along with James McDougal, the S&L's owner, were partners.

Heritage also said she left Madison in 1987 after serving as an administrative assistant to S&L officials. Investigators did not begin poring over the records prepared by Heritage until after Madison's 1989 failure.

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In the interim, Heritage went to law school, and subsequently was hired by the Rose firm, where Mrs. Clinton was a partner.

In her current job, Heritage now does S&L cleanup work at Rose on behalf of the Resolution Trust Corp., the federal S&L cleanup agency.

The RTC on Monday released more than 8,000 pages of documents relating to the failure of Madison, which is expected to cost taxpayers between $ 47 million and $ 60 million.

The papers do not focus on the Clintons or on Whitewater. However, they do offer a glimpse into Madison's failing fiscal health, much of which occurred under the stewardship of McDougal.

The documents, including records of delinquent loans, minutes of board meetings and details on investment strategies, were released under Freedom of Information Act requests by The Associated Press and other news organizations.

Asked for comment Monday, McDougal dismissed the RTC as "an arm of the Republican National Committee."

McDougal, who was acquitted of bank fraud in a 1990 trial, is seeking the Democratic nomination for a congressional seat from Arkansas.

The newly released documents leave unanswered some key questions - such as who got which loans - since the names of individual recipients were stricken from the documents.

Information included in the documents cites two main reasons for withholding the names - privacy, or because details and paperwork are now part of Fiske's criminal probe.

Even so, the bank documents show that, according to Dec. 27, 1984, minutes, the Madison board decided to "waive overdraft charges for Directors of both the Savings and Loan and its Service Corporation."

Two years later, federal regulators would criticize Madison for the large number of loans to insiders and other alleged abuses by those connected to the institution.

A separate list of lawsuits filed by the S&L and its receivers against delinquent loan recipients provided some clues about the Madison loan portfolio.

By the mid-1980s, Madison was in danger of collapsing under nearly 200 delinquent loans worth $ 15 million, according to records from the S&L's files, which the RTC released.

By 1987 - the year after federal regulators kicked out McDougal - the S&L's overseers had gone to court against 105 delinquent borrowers, including McDougal and the family of a former Madison director, Charles Peacock IV.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 5, 1994

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LEVEL 1 - 2 OF 4 ITEMS

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Los Angeles Times

April 5, 1994, Tuesday, Home Edition

SECTION: Part A; Page 1; Column 1; National Desk

LENGTH: 1834 words

HEADLINE: FIRST LADY'S BROKER USED IMPROPER BLOCK TRADING;
MARKET: PRACTICE COULD ALLOW UNFAIR SPLIT OF PROFITS, LOSSES. THERE IS NO EVIDENCE THAT MRS. CLINTON BENEFITED.

BYLINE: By SARA FRITZ and JOHN BRODER, TIMES STAFF WRITERS

DATELINE: WASHINGTON

BODY

Like First Lady Hillary Rodham Clinton, Hayden McIlroy made spectacular profits in the commodities markets by doing business with Robert L. (Red) Bone, a broker in the Springdale, Ark., office of a Chicago-based trading firm.

It was not until McIlroy visited the trading floor in Chicago in early 1979 that he met a young trader named Ira Brill and discovered what may have been one factor in making such success possible.

As McIlroy recalled in subsequent court testimony, Brill revealed that he regularly bought cattle futures in blocks of 600 contracts at a time on behalf of a large pool of Springdale clients of the trading firm. Then, after the market closed and the outcome of the day's ventures was clear, the contracts -- many purchased without the permission of the individual customers -- were divvied up and assigned to specific accounts by the trading firm, Ray E. Friedman & Co., commonly called REFCO.

"His (Brill's) job was to hold the orders and not turn them in until Springdale had called him after the market closed and (had) given him customer account numbers and how they wanted those orders divided between all customers in the Springdale office," McIlroy said. In other words, brokers in the Springdale office were buying and selling contracts in large blocks, then allocating gains and losses after the fact to their roster of clients.

Such so-called day-trades were subject to less stringent margin, or credit, requirements and the pooling of resources also made it possible for REFCO to make larger commodity purchases. Thus, investors with relatively modest amounts of capital could take part in deals that offered far larger potential profits than they otherwise would have been able to obtain.

One of REFCO's clients in 1978 and 1979, a notably successful one with a modest grubstake, was Mrs. Clinton, wife of the governor of Arkansas and future First Lady of the United States.

Block trading is a practice that violated the rules of the Chicago Mercantile

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Exchange at the time and has since been made illegal because it gives unscrupulous brokers the power to allocate profits and losses to their clients on the basis of favoritism.

"It opens the window of opportunity for fraud," explained Elliot Bercovitz, vice president for strategic planning at Lind-Weldock, Inc., of Chicago, one of the nation's leading commodities trading firms.

According to White House officials, Mrs. Clinton had no knowledge of any block trade allocations, was not aware at the time she began dealing with Bone that he previously had been censured for making improper commodity trades and did not authorize him to make trades in her name.

Nor is there documentary proof that she benefited from block trading or allocation. But there is extensive evidence contained in federal court records now warehoused in Ft. Worth, which suggest that many of Bone's clients benefited at one time or another from the unauthorized allocation of trades. The beneficiaries included clients who had "non-discretionary" accounts, which require the client's approval of trades. Mrs. Clinton's account was non-discretionary.

James Blair, whom Mrs. Clinton has identified as the mentor who assisted her in her commodities trading, acknowledged in court testimony that he was aware of these so-called "600 orders" and occasionally had unauthorized trades allocated to his own account.

In fact, REFCO brokers and traders who were familiar with practices at the Springdale office during the late 1970s said the practice was so widespread that it would have been difficult for Mrs. Clinton to have earned $99,000 on an initial investment of $1,000, as she did, without benefiting to some extent -- wittingly or not -- from Bone's trading practices.

Commodities analysts have expressed particular puzzlement over how an ordinary investor with as little capital as Mrs. Clinton -- and with such modest total resources -- could have taken positions large enough to win the profits she banked. During the period she was trading commodities, she and her husband owned no substantial assets and were living on a combined income of about $50,000 a year.

Moreover, the White House portrayal of Mrs. Clinton as an exceptionally canny and attentive commodities trader contrasts with the Clintons' description of their role in the Whitewater real estate development during the same period. In Whitewater, the Clintons said that they were passive investors who did not follow the project's financial activities closely and left its management entirely to their partners, former savings and loan owner James B. McDougal and his then-wife, Susan.

Whitewater became entangled in a series of complex financial transactions involving McDougal and his Madison Guaranty Savings & Loan, which ultimately went bankrupt at a cost of at least $47 million to U.S. taxpayers. The Clintons have said that they were not aware of McDougal's activities, which are now part of the wide-ranging investigation by special counsel Robert B. Fiske Jr.

In her commodities trading, Mrs. Clinton turned out to be luckier than many

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of Bone's other clients because she got out of the cattle futures market in July, 1979, just as many of REFCO's other big Arkansas clients -- including her friend Blair -- were starting to lose millions of dollars.

Many of the losers later claimed in civil lawsuits that they were victims of a fraudulent scam devised by REFCO President Thomas Dittmer in Chicago. The suits were unsuccessful, but they produced extensive testimony by REFCO employees and others about how Bone and the Springdale office operated during the period in 1978 and 1979 when Mrs. Clinton traded there.

In late 1979, according to Elizabeth J. Robbens, a Little Rock lawyer who has representedREFCO, Bone and other brokerage officials admitted to the Chicago Mercantile Exchange that the office made a practice of trading in block orders for numerous customer accounts. They were sanctioned by the exchange for violating trading rules.

Robbens insisted that, while Bone has acknowledged allocating trades, none of his clients ever complained that they were treated unfairly. (The lawsuits focused primarily on other aspects of REFCO's activities.)

By all accounts, Mrs. Clinton was persuaded to enter the risky world of commodities trading by Blair, now the general counsel for Tyson Foods, which is headquartered in Fayetteville, Ark.

At the time, REFCO was widely regarded as the biggest player in the cattle futures pits. Bone, a onetime employee of Tyson, was widely known among the Arkansas elite as a broker who had made many investors rich.

With an initial investment of only $1,000, Mrs. Clinton quickly made $5,300 on her first trade and withdrew $5,000 in profit. There is no documentation of the exact trade and some experts said that she did not have enough money in her account at the time to cover a trade that would produce such a large profit so quickly.

Fast starts were not unusual for Bone's new clients, however. McIlroy testified in court that he did not even have an account at REFCO when he received notice that Bone had purchased cattle futures on his behalf. The unauthorized investment made money for McIlroy, however, and that success persuaded him to keep trading with REFCO.

Buying blocks of contracts and allocating them to customers after the market closed was dismissed as a time-saver by Bone and other REFCO brokers, even though they were aware it violated the guidelines of the Chicago Mercantile Exchange. When former REFCO broker Bill McCurdy explained the system on the witness stand, he was asked if the practice was considered proper.

"I don't think that it is," McCurdy said.

It is not known what criteria Bone used to allocate the trades. Since Mrs. Clinton's trading records were made public last week, some people who were frequent traders at that time at the Springdale office have questioned whether she received some favoritism, but there is no documentary evidence of it.

Though the White House has said that she was unaware of improprieties by

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REFCO at the time she stopped trading, Mrs. Clinton could have learned about them later while she served briefly as McIlroy's attorney in a lawsuit against the brokerage firm. It was one of dozens of suits filed around the country in the early 1980s by traders and brokers -- some of whom lost large sums in commodities trading -- who accused REFCO officers of market manipulation and other improper activities.

Martin Elgison of Atlanta, attorney for a REFCO broker who lost large sums in trading after July, said that "Mrs. Clinton was fortunate to have gotten out when she did. One can speculate it was just luck or it was something more sinister."

Blair, who also had a non-discretionary account, said that Bone sometimes made trades on behalf of his clients even if they had not authorized them.

It was during the summer of 1979 that REFCO's Springdale brokers apparently were chastised by their supervisors in Chicago for buying cattle futures contracts in blocks and then allocating them to customers who never authorized them. McCurdy, in his testimony, described the flurry of activity in the Springdale office after he was told in August that the so-called "600 orders" had to be covered up.

"We locked the doors with the people that worked there still left there," McCurdy recalled. "I don't believe Red Bone was there at that time. And it was approximately 2:30 in the afternoon and he said . . . . 'We've got to go back and individually time and date stamp all these 600 orders' that had been ordered out of Chicago. And we sat down and changed our clocks back and the dates back and took the 600 orders and matched up and stamped enough orders to match the 600 that had originally gone in. . . . It was pretty close to dark when I left."

Mrs. Clinton's last transactions with REFCO occurred in July, 1979, just as many traders at the Springdale office began suffering large losses. White House officials said that she was pregnant at the time and did not think that she could devote enough attention to commodities trading.

In the final months of 1979, many longtime customers of Bone lost all of the money they had amassed with his help. Not only did the market take a sharp downturn, but many traders claimed they were double-crossed by REFCO President Dittmer, who made a tidy profit in October by taking a position that was exactly the opposite of the advice he was giving his customers.

Dittmer denied any wrongdoing.

Blair, who lost several million dollars, later sued REFCO for $15 million and settled out of court. McIlroy came out ahead in his account but sued on grounds that he was entitled to about $800,000 more than he received.

REFCO attorney Robbens said that Mrs. Clinton was just one of many smart traders who withdrew from the market at the right time. "They all made money and none of them ever sued us," she said. "In fact, nobody who made money sued us, except Hayden McIlroy."

LANGUAGE: ENGLISH

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LEVEL 1 - 3 OF 4 ITEMS

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The Washington Times

April 5, 1994, Tuesday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 3014 words

HEADLINE: McDougal's asset was 'down home' charm ;
Madison owner took S&L from obscurity to ruin

BYLINE: Jerry Seper; THE WASHINGTON TIMES

DATELINE: LITTLE ROCK, ARK.

BODY

LITTLE ROCK, Ark. - James B. McDougal, the longtime friend and business partner of President and Mrs. Clinton's who has emerged as a key figure in the ongoing Whitewater-Madison affair, has described himself as a country boy just trying to do good.

A high school math wizard, U.S. senatorial aide, would-be politician and wheeler-dealer savings and loan owner during the go-go ethos of the 1980s, Mr. McDougal befuddled both his enemies and his friends with his "down-home act," while turning a sleepy rural S&L into a financial behemoth.

In just three years, beginning in 1982, Mr. McDougal's Madison Guaranty Savings and Loan Association - now at the hub of a multispoked criminal investigation by Whitewater-Madison special counsel Robert B. Fiske Jr. - exploded from $6 million in deposits to more than $123 million.

Madison loans made directly to its officers and directors, including Mr. McDougal himself, grew at an equally astonishing rate - from $500,000 to $17 million in 1985, most of which were never repaid. By 1985, Mr. McDougal's net worth was estimated at $18 million.

"Jim McDougal is like the local used-car salesman," said Roy P. Drew, Little Rock stockbroker and financial consultant. "He can dazzle you with style and never give one thought to substance.

"He had a gift for gab, made numerous political contacts, didn't mind using them and wasn't averse to cutting corners," Mr. Drew said. "It was a down-home act that many people bought."

Rep. Jim Leach, ranking GOP member of the House Banking Committee who has been the point man on Capitol Hill in the Whitewater-Madison probe, has described Mr. McDougal as a "one-time high roller."

The Iowa Republican has accused the former S&L owner of using Madison "as a personal piggy bank" and said the Whitewater-Madison affair "is about the arrogance of power - political conflicts of interest that are self-evidently

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unseemly."

Whatever the act, it proved successful - at least for a while. With the help of others, Mr. McDougal effectively controlled Madison's far-flung affairs and those of several wholly-owned subsidiaries, including a financial firm, real estate company, marketing and advertising outlet, and construction firm.

SUSPECTED SHELL GAME

A review of federal and state records and interviews with former business associates found that Mr. McDougal:

* Diverted substantial amounts of money from Madison projects to himself and others, including relatives, employees and friends. This was accomplished, according to federal regulators, through his total control of the S&L, enabling him to "structure the development and financing . . . so that substantial cash payments could be diverted to himself."

* Used corporate resources, all federally insured, to propose and build several large land developments throughout Arkansas and elsewhere, although many were described by the Federal Home Loan Bank Board (FHLBB) as being of "questionable economic worth."

* Booked Madison profits in a way to increase the S&L's net worth, allowing him to make additional investments and, according to the FHLBB, "direct cash to himself and other insiders."

* Funneled payments on development projects through business entities owned or controlled by Mr. McDougal, his then-wife, Susan, other Madison employees, relatives and "close friends."

The Fiske inquiry, now in its third month, is looking into similiar accusations regarding Madison's ties to Whitewater Development Corp. and several powerful Arkansas politicians. Mr. McDougal is suspected of illegally diverting loans through Madison and improperly routing other monies to outside interests, including funds that were used to pay the political and personal debts of Mr. Clinton.

The special counsel's office is examining alleged "shell corporations" set up by Mr. McDougal and probing suspected check-kiting and account overdrafts authorized by the S&L owner. Documents collected by investigators so far, according to federal authorities, show that Mr. Clinton and others, including Arkansas Gov. Jim Guy Tucker, may have benefited from the schemes.

Mr. McDougal was not available for comment. His attorney, Sam Heuer, did not return calls to his office.

Federal interest in Madison arose as early as 1984, when the FHLBB first reported on the S&L's financial shortfalls. By 1986, regulators had determined that the S&L's management and its board of directors, both headed by Mr. McDougal, had "failed to operate Madison Guaranty in a safe and sound manner."

In an 85-page report, the FHLBB concluded on March 4, 1986, that Madison's insolvency was inevitable and issued a federal cease and desist order, looking to close the operation down.

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Madison eventually failed, but not until 1989, when federal regulators formally shut it down at a cost to taxpayers of $50 million.

HOLDING ON TO MADISON

While banking regulators, both at the state and federal level, lagged on their efforts to control Madison's deteriorating financial condition, Mr. McDougal was not similarly disposed. Records show he acted immediately to head off regulators, reaching out to old and new friends for help.

"When things began to close in, he wasn't a bit shy about trying to do something about it," said a longtime McDougal friend, a Little Rock banker. "He has said, and I think he continues to believe, that given enough time, he could have pulled Madison out of the fire."

That the S&L eventually failed was not due to a lack of effort by Mr. McDougal.

One of his first undertakings was to hire the FHLBB examiner who had authored the 1984 report. Sarah J. Worsham, who found that Madison had engaged in "unsound lending practices" and stood on the verge of insolvency, was hired as a senior vice president at $65,000 a year.

Ms. Worsham was listed in Madison corporate documents during the follow-up 1986 FHLBB inquiry as Sarah J. Hawkins, but is identified in Madison loan documents as Sarah Worsham Hawkins, one of several officers at the S&L who obtained unsecured loans - in her case, $5,000.

She was a Madison senior vice president, on the S&L's board of directors and a member of Madison's management committee, which oversaw loans. Her compensation, according to federal regulators, included a $500-a-month expense allowance, yearly bonuses of $2,000 and a $35,000 Bentley.

With state and federal regulators closing in on Madison in 1984, the S&L then proposed a unique refinancing plan, based on the sale of $3 million in preferred stock. The plan, aimed at satisfying the capital requirements of the FHLBB, had not been suggested before in Arkansas for an S&L and, as a result, needed to be approved by the Arkansas Securities Commission.

That approval came in a May 1985 ruling by Securities Commissioner Beverly Bassett Schaffer, appointed to her post just four months earlier by then-Gov. Bill Clinton.

Mr. McDougal, 53, who announced his candidacy last month for Congress in Arkansas' 4th District, has said Mr. Clinton appointed Mrs. Schaffer, then 31, to head the commission as a "personal favor" to him - a claim she and Mr. Clinton have denied.

Mrs. Schaffer is the sister of Woody Bassett, a Clinton campaign contributor and one of the governor's 1984 re-election campaign managers. She also is the wife of Archie Schaffer, an executive of Tyson Foods Inc. of Springdale, Ark., the nation's largest processor of chickens and a major contributor to Mr. Clinton's political career.

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She formerly worked for a Little Rock law firm that also represented Madison. At one point, she wrote a legal opinion defending the S&L's participation in a questionable $3.73 million Canadian real estate project. That project, known as Campobello, also eventually failed.

In reaching a decision that Madison's preferred stock plan was legal, Mrs. Schaffer turned down a suggestion by her staff that she get an opinion from the state Attorney General's Office as to whether Arkansas law authorized the proposal.

Mrs. Schaffer said the Madison plan - allowing the S&L to sell preferred stock and to form a brokerage service subsidiary - was "acceptable and in accordance with state law." She also said she personally agreed with the proposal.

With the former FHLBB examiner now on his staff and the matter before a securities commissioner he has said was handpicked by Mr. Clinton, Mr. McDougal's efforts to stay in business began to take shape.

The controversial plan was outlined to the State Securities Commission by two Rose Law Firm lawyers, Mrs. Clinton and Richard N. Massey, then a first-year associate at the firm. The inclusion of Mrs. Clinton's name in the matter was not missed by state officials; the favorable ruling later was announced in a "Dear Hillary" letter from Mrs. Schaffer.

The Rose firm, in its effort to convince regulators to keep Madison open, cited an audit by a Little Rock accounting firm - Frost & Co. - saying the preferred stock plan would result in an infusion of money to keep the S&L afloat. Frost said Madison had $109 million in assets, including $86 million in loans receivable.

The audit was written by Frost official James Alford, who had two outstanding Madison loans at the time. It was later found by federal regulators to contain numerous misrepresentations.

Also, at the time of the ruling, Mrs. Clinton was being paid a $2,000-a-month retainer by Mr. McDougal. The Clintons and the McDougals also were partners in Whitewater, a 230-acre real estate project in the Arkansas Ozarks begun in 1978.

The monthly retainer was personally sought by Mr. Clinton during a summer 1984 meeting, Mr. McDougal has said. The fees continued for at least 15 months - totaling $30,000 - while the Madison case was pending before state regulators, all of whom had been appointed by and were answerable to Gov. Clinton.

Mr. McDougal, who now says he has no assets and exists on a Social Security disability pension, said the fee arrangement was made after Mr. Clinton told him during a meeting at Mr. McDougal's Little Rock office that he and his wife needed cash.

In separate statements released during the 1992 presidential race, campaign officials said Mrs. Clinton had not given the S&L legal advice concerning its dealings with state officials, that she did not "intervene or attempt to influence" the state concerning Madison, that she had not been paid for legal

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advice and that she was not the attorney of record in the case.

In a March 18, 1992, campaign stop in Chicago, Mrs. Clinton added that she had done legal work for Madison, but it did not involve the S&L's dealings with state regulators. "I suppose I could have stayed home and baked cookies and had teas," she said at a breakfast rally, adding that "you can't be a lawyer if you don't represent banks."

CONTRADICTS WHITE HOUSE

The White House, which has since acknowledged the $2,000-a-month payments, has said Mrs. Clinton's involvement with Madison and state regulators was minimal.

Mrs. Clinton, in a statement released during the 1992 campaign, confirmed that she talked personally with Mr. McDougal in April 1985 "concerning the retention of the firm by Madison Guaranty. " The statement said, however, she met only that one time with the S&L owner about the case.

But in a July 11, 1985, memo, Mr. McDougal wrote to John Latham, Madison's chief executive officer, that he needed to know "everything you have pending before the Securities Commission as I intend to get with Hillary Clinton within the next few days."

The White House did not respond to inquiries concerning the apparent discrepancy.

Despite concerns by regulators as early as 1984 over Madison's solvency, records show the Securities Department took no action to close the failing S&L until federal bank examiners determined in a 1987 audit that it was insolvent. When federal authorities formally closed Madison in 1989, the cost to taxpayers was listed at $50 million.

In the handling of the Madison matter by the Rose firm, Mrs. Clinton's name was mentioned in at least two letters sent to the Securities Department. Both said the state's return correspondence should be directed to Mrs. Clinton.

One Rose firm letter, dated April 30, 1985, and addressed to Charles F. Handley, a Securities Department financial supervisor, was signed by the firm. The letter said, however, "further information or assistance" should be obtained from "Hillary Rodham Clinton or Richard Massey of this firm."

In a follow-up letter, Mr. Massey suggested in a second letter that state officials call "Hillary Rodham Clinton or me" with any questions on the preferred stock proposal.

The stock plan was never put into operation, a victim of Madison's rapidly deteriorating financial condition.

Before her appointment, Mrs. Schaffer was a lawyer with Mitchell Williams Selig Jackson & Tucker, a Little Rock law firm whose partners include Mr. Tucker, now Arkansas' governor. Mr. Tucker had hundreds of thousands of dollars in loans from Madison and his firm represented the S&L.

In her job as commissioner, Mrs. Schaffer oversaw the state's S&Ls and

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reported to a six-person state board. On that board was Latham, a college classmate of Mr. Massey's. Latham attended a series of meetings with regulators on Madison's behalf to negotiate details of the stock proposal.

Latham, appointed to the board by Mr. Clinton in March 1985, eventually became chairman. In a guilty plea in 1989 to falsifying Madison records, Latham later turned government witness in a federal bank fraud case against Mr. McDougal, who was acquitted in 1990.

ATTRACTING THE RTC

In a Jan. 7, 1985, memo to Mr. Clinton, Mr. McDougal recommended Latham's appointment to the board, saying he was a "major contributor to your campaign" in addition to being a certified public accountant and lawyer. "Bill, we are down to only about 15 state-chartered savings and loan institutions and I am about the only one around who has any interest in this board," Mr. McDougal wrote.

Mrs. Schaffer has denied that anyone from the Rose firm influenced her handling of the Madison case. She quit as commissioner in 1991 to return to Fayetteville, Ark., to practice law.

Last month, she told the Los Angeles Times: "I don't know why she [Mrs. Clinton] hasn't been more open about explaining" her role in the Madison affair. "I don't understand why they [the Clintons] were in business with someone like McDougal."

Mr. McDougal, who served as a financial adviser to Mr. Clinton in 1979-80, bought Madison in late 1982 - four years after he and the Clintons formed the Whitewater partnership.

Federal law enforcement sources and others believe it was Madison's public effort to stay afloat in 1985 and its visible ties to the Clintons that attracted the attention of the Resolution Trust Corp., which oversees failed S&Ls.

An RTC investigation was aimed at determining if Madison received favorable treatment from state regulators, allowing it to remain open and increase its eventual losses. The agency eventually made 10 criminal referrals to the Justice Department, suggesting that Mr. McDougal may have manipulated $250,000 in loans through the S&L and diverted other monies to the campaigns of several Arkansas politicians, including Mr. Clinton.

The RTC suspected that Mr. McDougal diverted depositor funds from Madison to Mr. Clinton using overdrawn accounts and Madison-approved loans. The agency also recommended a possible prosecution into reports that Madison funds had been illegally diverted to Whitewater.

Mr. McDougal, who has long since traded in his posh Little Rock home for a trailer in Arkadelphia, has denied any wrongdoing. His lawyer, Mr. Heuer, said he expects his client to be indicted in the Whitewater-Madison probe.

Mr. Fiske, appointed special counsel on Jan. 20 by Attorney General Janet Reno, has said he expects to take testimony from Mr. McDougal, Mr. Clinton and

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Mrs. Clinton under oath.

Under guidelines established by Miss Reno, Mr. Fiske has the authority to investigate whether "any individuals or entities committed violations of federal law," including Mr. and Mrs. Clinton and others involved with the couple through Madison and Whitewater.

The guidelines also give Mr. Fiske the authority to look into Capital-Management Services Inc., a Little Rock lending agency that gave a $300,000 Small Business Administration (SBA)-guaranteed loan to Mrs. McDougal.

Capital-Management's president, David L. Hale, a former Little Rock municipal judge who pleaded guilty last month to unrelated SBA fraud charges, has said Mr. Clinton pressured him for the loan. About $110,000 of it eventually found its way into the Whitewater account.

Mr. Fiske, according to the guidelines, also has the authority to investigate "other allegations or evidence of violation of any federal criminal law by any person or entity" that might surface during his investigation.

****BOX

JAMES B. MCDOUGAL

Former owner of Madison Guaranty Savings and Loan Association

AGE: 53

HOME: Now living in trailer in a Arkadelphia, Ark.

FAMILY: Divorced. Ex-wife, Susan Henley McDougal, now in Tennessee and facing unrelated fraud charges in Los Angeles.

CAREER HIGHLIGHTS: Financial adviser to Gov. Bill Clinton in Arkansas; owner of the Bank of Kingston in Kingston, Ark.; owner of Madison Guaranty Savings and Loan Association and a partner in Whitewater Development Corp.

POLITICS: Announced his candidacy for Congress in Arkansas' 4th District.

GRAPHIC: Photos (A, color), A) Deed holder: James McDougal sells square-foot deeds to Whitewater to raise money.; B) James McDougal hands in his paperwork at the Arkansas State Capitol in Little Rock to file as a Democratic candidate for Congress.; C) Susan McDougal last month called the Whitewater probe politically motivated.; D) Memos by James B. McDougal show he was involved with then-Gov. Bill Clinton and Hillary Rodham Clinton in activities before the Arkansas Securities Department at a time when his S&L was under investigation., A-C) By AP; D) NO CREDIT ; Box, JAMES B. MCDOUGAL, By The Washington Times

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 5, 1994

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LEVEL 1 - 4 OF 4 ITEMS

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April 5, 1994, Tuesday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 969 words

HEADLINE: Perks were flowing while Madison S&L was dying

BYLINE: Jerry Seper; THE WASHINGTON TIMES

BODY

At a time Madison Guaranty Savings and Loan Association faced insolvency from what federal regulators said in 1984 were "unsound lending practices," the Little Rock-based S&L's board of directors was voting itself bonuses, pay raises, unsecured loans and health club memberships, federal records show.

The directors also approved Christmas bonus checks for themselves and other Madison employees during a December 1984 board meeting - 11 months after a critical federal audit said the S&L was on the verge of insolvency. The bonuses ranged as high as $5,000 after board members predicted "1985 will be a very profitable year for the association."

Christmas bonuses were approved - and paid - in 1985 and again in 1986, although by that time the federal government had issued a cease and desist order for the S&L to halt operations.

By mid-1986, the S&L - owned by James B. McDougal, a longtime friend and business partner of President Clinton and Hillary Rodham Clinton's - had become a target of federal and state banking regulators looking to shut it down.

Federal regulators would finally close Madison in 1989, at a cost to taxpayers of $50 million. At the time of its closure, Madison officers and executives had received $17 million in unsecured loans, most of which were never repaid.

The bonus payments, pay raises, loans and health-club memberships are described in more than 7,800 pages of documents released yesterday by the Resolution Trust Corp. (RTC) under the federal Freedom of Information Act. The RTC, which oversees failed S&Ls, took over Madison following its collapse.

The documents include minutes of Madison board meetings, court records on litigation involving the S&L, letters from members of Congress concerning the thrift's operation, mortgage and loan agreements, partnership papers, audits and other Madison business records. The documents were heavily redacted, with major portions of some of them missing.

The health club memberships are discussed during a Feb. 20, 1986, board

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The Washington Times, April 5, 1994

meeting. John Latham, board chairman at the time, said there was a "need" for Madison's officers and executives "to remain in good physical and mental state of health."

Mr. Latham's suggestion that the memberships be paid by Madison was approved unanimously "for all executive officers."

Mr. McDougal had resigned as board chairman in October 1984 after a critical Federal Home Loan Bank Board audit, but remained as the S&L's owner.

He is currently the focus of an ongoing investigation by Whitewater-Madison special counsel Robert B. Fiske Jr., who is looking into accusations that funds were illegally diverted from Madison to several Arkansas politicians, including then-Gov. Bill Clinton.

The Fiske inquiry also is aimed at determining whether Madison funds were improperly transferred to Whitewater Development Corp., a northern Arkansas real estate partnership jointly owned by the Clintons, Mr. McDougal and his then-wife, Susan, and whether S&L money was used to pay off Clinton campaign debts.

The documents, released in two boxes, also show that Madison was looking to merge its operation with Madison Bank and Trust of Kingston, Ark., a rural bank also owned by Mr. McDougal. The proposed merger - never approved - would have allowed the S&L to tap a new source of revenue, using a revised recapitalization plan to bolster its failing assets.

"Chairman Latham informed the board that the law firm of Mitchell, Selig and Tucker had been contacted to handle the merger application involving Madison Bank and Trust of Kingston and the savings and loan," according to minutes of a Sept. 19, 1985, board meeting.

The Madison board voted unanimously to seek the merger, but the law firm withdrew. It said one of its partners, Jim Guy Tucker, now Arkansas governor, had borrowed hundreds of thousands of dollars from the S&L. The Tucker-Madison connection, cited as a potential conflict of interest, was listed by the firm as a reason for disqualifying itself.

Mr. Fiske has subpoeaned records from Mr. Tucker, including those showing his involvement with Madison.

The proposed merger came at the same time Little Rock's Rose Law Firm - where Mrs. Clinton was a senior partner - presented a preferred stock plan to state banking regulators in an effort to keep Madison in business. The proposal came in letters to the State Securities Department. At least two of the letters mentioned Mrs. Clinton as the Rose contact.

State Securities Commissioner Beverly Bassett Schaffer, who headed the department, was appointed by Mr. Clinton. Her decision to accept the stock plan, keeping Madison afloat, was addressed to "Dear Hillary." Mrs. Schaffer, a lawyer, had worked at Mitchell Selig and Tucker before her appointment and had been involved in Madison's representation.

The RTC-released records also show that Madison, under Mr. McDougal's

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direction, had undertaken a number of risky loans, many of which lacked the necessary collateral to justify their issuance.

None of the specific borrowers were identified in the documents, although the redacted lists showed there were more than 200 delinquent loans totalling more than $15 million.

Many of the RTC documents related to protracted legal battles between the RTC, Madison and Seth Ward, an officer of a Madison subsidiary and a major borrower at the S&L.

Mr. Ward, father-in-law of former Associate Attorney General Webster L. Hubbell, a former Rose partner of Mrs. Clintons' who resigned March 14 amid accusations of overbilling clients, sued Madison in 1987 for back commissions and was awarded $353,000 before Madison's collapse.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 5, 1994

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TRANSMITTAL MEMORANDUM LEGAL DIVISION PROFESSIONAL LIABILITY	RESOLUTION TRUST CORPORATION 1717 H STREET, NW WASHINGTON, DC 20006

MEMORANDA TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Breslaw
Carl Gamble
Jim Igo
Terry Arbit
Gloria Berry

FROM: Paula Stone

RE: "Madison Guaranty" news article search

DATE: April 7, 1994

Attached are the April 6, 1994 news articles (6) retrieved from Nexis relating to matters of "Madison Guaranty S&LA".

LEVEL 1 - 1 OF 6 ITEMS

Copyright 1994 The Houston Chronicle Publishing Company

The Houston Chronicle

April 6, 1994, Wednesday, 2 STAR Edition

SECTION: A; Pg. 4

LENGTH: 311 words

HEADLINE: Bentsen made inquiries on Madison S&L venture

BYLINE: Los Angeles Times

DATELINE: WASHINGTON

BODY

WASHINGTON -- Treasury Secretary Lloyd Bentsen, while a senator from Texas, made inquiries with federal regulators at the Resolution Trust Corp. about the agency's handling of a real estate venture owned in part by Madison Guaranty Savings & Loan, the failed Arkansas thrift linked to the Whitewater controversy, newly released documents show.

The documents, released by the RTC, show that Bentsen contacted the agency in 1991 on behalf of an Austin real estate agent angered by the way the agency was disposing of real estate held by Madison at the time it was seized by federal regulators.

Bentsen sought and won high-level attention within the RTC for the complaint, although it is unclear what action ultimately was taken by the agency.

The letters connected to Bentsen's inquiry in the case were among 8,000 papers released by the RTC in response to Whitewater-based requests from the media under the Freedom of Information Act.

There is no evidence that Bentsen's contact with the agency went beyond the normal actions of a member of Congress on behalf of a constituent. However, members of his senior staff at the Treasury Department, including his chief of staff, have come under fire for their actions in overseeing the RTC since late last year.

Those aides, including deputy Treasury Secretary Roger Altman and chief of staff Joshua Steiner, are now under scrutiny by Whitewater special counsel Robert B. Fisk Jr. for their contacts with White House political aides about the RTC's investigation of Madison.

Bentsen is chairman of the RTC's Oversight Board, which helps set broad policy direction for the agency.

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Treasury spokesman Howard Schloss said Tuesday that Bentsen has never considered recusing himself from his involvement with the RTC because of his earlier contact with the agency on the Madison case.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 7, 1994

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LEVEL 1 - 2 OF 6 ITEMS

Copyright 1994 The Times Mirror Company
Los Angeles Times

April 6, 1994, Wednesday, Home Edition

SECTION: Part A; Page 15; Column 1; National Desk

LENGTH: 433 words

HEADLINE: BENTSEN MADE MADISON S&L INQUIRIES AS SENATOR

BYLINE: By JAMES RISEN, TIMES STAFF WRITER

DATELINE: WASHINGTON

BODY

Treasury Secretary Lloyd Bentsen, while a senator from Texas, made inquiries with federal regulators at the Resolution Trust Corp. about the agency's handling of a real estate venture owned in part by Madison Guaranty Savings & Loan, the failed Arkansas thrift linked to the Whitewater controversy, newly released documents show.

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Bentsen is chairman of the RTC's Oversight Board, which helps set broad policy direction for the agency. Treasury spokesman Howard Schloss said Tuesday that Bentsen has never considered recusing himself from his involvement with the RTC because of his earlier contact with the agency on the Madison case.

"These were normal constituency referrals" to an agency from a member of Congress, Schloss noted. "The issue of recusal was never considered."

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Schloss added that Bentsen has not been involved with the Madison case since he joined the Clinton Administration, either in his role as Treasury secretary or as chairman of the RTC board. The oversight board does not get involved in the agency's handling of individual institutions.

In past public statements, Bentsen has been supportive of his aides while making it clear that he was not involved in any of the meetings or discussions between Treasury and the White House on Madison. In addition to Fiske's investigation, Bentsen has asked the Office of Government Ethics to review the Treasury-White House meetings.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 7, 1994

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LEVEL 1 - 3 OF 6 ITEMS

Copyright 1994 The New York Times Company
The New York Times

April 6, 1994, Wednesday, Late Edition - Final

SECTION: Section A; Page 20; Column 5; Editorial Desk

LENGTH: 419 words

HEADLINE: No One Tried to Get Clintons Off Hook

BODY

To the Editor:

Mark Twain once said, "A lie gets halfway around the world before the truth has time to put on its boots." I am writing to correct serious factual misstatements in a March 25 news article and March 26 editorial on the Whitewater matter. Both stated that "Treasury officials" tried to pressure Federal investigators in Kansas City into agreeing to get the Clintons "off the hook" by telling Special Counsel Robert Fiske that there was no connection between Whitewater and Madison Guaranty.

First, it was Washington-based Resolution Trust Corporation officials -- not Treasury officials -- who both Representative Jim Leach and L. Jean Lewis, a senior investigator in the Kansas City office of Resolution Trust, claim tried to pressure Kansas City Resolution Trust officials. Those officials should have been identified specifically as such for two important reasons:

The Resolution Trust simply is not part of the Treasury Department. More significant, to ascribe these alleged actions to "Treasury officials" implies that political appointees were involved. Every person involved in this alleged transaction was a career financial regulator. This was a dispute about the facts of the case among career officials. To imply that this is somehow political pressure on the regulatory process is unfounded.

Second, there is simply nothing to suggest that anyone -- neither Treasury officials nor R.T.C. officials -- was in any way trying to get the Clintons off the hook, as you assert in both the article and the editorial. Jean Lewis's notes from her Feb. 2 conversation with April Breslaw, R.T.C. senior attorney, are clear:

"April stated that Ryan and Kulka, the 'head people,' would like to be able to say that Whitewater did not cause a loss to Madison, but the problem is that so far no one has been able to say that to them. She felt like they wanted to be able to provide an 'honest answer,' but that there were certain answers that they would be 'happier about,' because it would get them off the hook."

The nuns who taught me grammar would agree that "they" clearly refers to Jack Ryan, Deputy Chief Executive of the R.T.C., and Ellen Kulka, R.T.C. acting general counsel, not the Clintons. Nowhere do Jean Lewis's notes even mention the Clintons.

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Public understanding of this difficult matter is hurt, not helped, when respected news organizations make charges that are contrary to available facts.

DEE DEE MYERS
White House Press Secretary
Washington, March 26, 1994

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 6, 1994

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LEVEL 1 - 4 OF 6 ITEMS

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April 6, 1994, Wednesday, Final Edition

SECTION: FIRST SECTION; PAGE A17; THE FEDERAL PAGE; IN THE LOOP

LENGTH: 844 words

HEADLINE: Recall Those First S&L Calls?

SERIES: Occasional

BYLINE: Al Kamen, Washington Post Staff Writer

BODY

Ever wonder why the news reports about all those Clinton White House contacts with savings and loan regulators sound so familiar?

Well, questionable calls involving First Family finances and failed S&Ls didn't begin with the Clinton administration.

Remember that call from George Bush's White House counsel C. Boyden Gray in December 1990 to Alfred J.T. Byrne, then general counsel of the Federal Deposit Insurance Corp., asking about the Office of Thrift Supervision (OTS) case against Neil Bush and the failed Denver Silverado savings and loan?

Gray wanted to know whether it was possible to shift the matter out of OTS and into the federal court. Gray has said there was no attempt to influence anything, he was just checking on agency procedures.

But Byrne then called OTS director Timothy Ryan, who, according to a Treasury Department report, warned Byrne that it would be improper to discuss the case, ended the call and referred the matter to the Treasury Department inspector general.

The case was then referred for criminal prosecution to then-U.S. Attorney Jay B. Stephens, the same Jay B. Stephens whose appointment to work on the Madison Guaranty Savings & Loan matter sparked a call by Clinton aides Harold Ickes and George Stephanopoulos to the Treasury Department.

Stephens's office declined prosecution. Byrne was reprimanded and denied an executive bonus.

The episode was recounted in former FDIC chairman L. William Seidman's book and reported last March in The Washington Post. Seidman wrote "it was miraculous that the press never got wind of it" before Seidman's book 2 1/2 years later.

Is that because the Republicans were better at keeping secrets? Or maybe the press was once again asleep at the switch?

Meanwhile Byrne, now in private practice, was kept on by the Clinton

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administration for nearly a year as FDIC general counsel -- a position that is still vacant.

Better Late Than Never

Morton Halperin, whose nomination as assistant secretary of defense was withdrawn after a furious conservative assault, has been cleared by the Central Intelligence Agency of the most serious allegations against him: that he was involved with terrorists and met with some of them somewhere in Europe.

The agency, in a written response to members of the Senate Select Committee on Intelligence, said it had "conducted an exhaustive search for a cable described to us as establishing that Mr. Halperin met with members of a terrorist organization."

"We also interviewed current and former employees as part of our effort to ascertain whether or not such a document existed. Despite these intensive and conscientious efforts, we were unable to locate the alleged cable or otherwise find any indication that the meeting described to us ever took place. We did locate information indicating that a meeting occurred involving a completely different individual than Mr. Halperin," the agency reported.

Critics implied that Halperin's FBI file contained damaging information, and that the CIA had other negative information that it could not share.

But the CIA said that, based on the FBI's investigation, it gave Halperin a "Sensitive Compartmented Information (SCI) clearance," or the full set of very high clearances given to National Security Council staff.

Halperin is now on the NSC staff doing some of the same things he was supposed to be doing at Defense -- except on a broader scale.

Now It Can Be Told ...

There was an unexplained momentary pause in the recent move of former Pentagon general counsel Jamie Gorelick over to be deputy attorney general.

Rumor has it that no less than Clinton adviser plenipotentiary Vernon Jordan had some misgivings, saying that Gorelick was doing fine at Defense and there was no need to play musical chairs. Rumor also has it that he had some doubts about whether there should be an all-female team to lead Justice.

Jordan, who says he's been giving Gorelick "bad advice for some time," says he told her she was doing a great job at Defense and should stay there for a while. As for the all-female team, Jordan said: "I'm for diversity."

It's Official ...

Marlene Johnson, former lieutenant governor of Minnesota, has been named

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associate administrator for the General Services Administration's office of administration.

Juan E. Mestas, dean of students and associate professor of foreign languages and literature at Portland State University, has been named deputy chairman of the National Endowment for the Humanities.

Moving On ...

Former Tennessee governor Lamar Alexander, most recently secretary of education and University of Tennessee president, has joined the conservative Hudson Institute as a senior fellow.

Catching Up at the NSC

Bill Danvers, longtime congressional aide and more recently senior adviser to Deputy Secretary of State Strobe Talbott, is now a director of legislative affairs at the National Security Council, replacing Donald D. Gross, who has joined the Arms Control and Disarmament Agency as senior adviser to Director John D. Holum.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 6, 1994

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LEVEL 1 - 5 OF 6 ITEMS

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The Washington Times

April 6, 1994, Wednesday, Final Edition

SECTION: Part A; NATION; Pg. A4

LENGTH: 828 words

HEADLINE: Clinton's health care pitch interrupted

BYLINE: Paul Bedard; THE WASHINGTON TIMES

DATELINE: CHARLOTTE, N.C.

BODY

CHARLOTTE, N.C. - President Clinton yesterday took to the campaign trail to sell his health care plan but was abruptly derailed by public concerns about White House credibility, Whitewater-Madison and his wife's commodities trading.

Visibly frustrated that his message was being muddled, Mr. Clinton told a TV audience last night, "I have been the subject . . . of false charges."

At his first televised town hall meeting since the Whitewater-Madison affair recently exploded, the president told listeners, "I think I have done a remarkable job of doing what I said I would do, and I think you ought to trust me."

After spending a day in rural North Carolina to discuss the benefits of his health care plan, Mr. Clinton was hit by several tough questions during the town hall meeting. Such venues worked well for him during the 1992 presidential campaign but have often been unfriendly since he took office.

Mr. Clinton spent nearly 10 minutes defending his actions and those of first lady Hillary Rodham Clinton, imploring the media and public to let Whitewater-Madison special counsel Robert B. Fiske Jr. do his job and "let me be president."

At the town hall meeting, moderated by the NBC News affiliate here and linked to TV studio audiences in Bristol, Tenn.; Austin, Texas; and Roanoke, Va., the president was told Americans are having troubles with his "credibility" due to Whitewater and Mrs. Clinton's stunning ability to turn a $1,000 investment in cattle futures into $100,000 in the late 1970s.

Speaking emotionally and at times angrily, he said, "It's just not true that she did anything wrong or that I did anything wrong."

He totally rejected the dominant view by financial analysts that Mrs. Clinton's profits were highly unusual.

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"She had plenty of money at risk, and she could have lost it," said Mr. Clinton. "That's the kind of thing that happens in the market every day."

Rebutting repeated claims that he has lost credibility, Mr. Clinton suggested that his critics are the ones who do not have any standing to make charges.

"No one has ever accused me of abuse of power in this job, and no one will either. You will not be ashamed of what I do as president," said Mr. Clinton.

"People saying things about me that are not true don't make my credibility an issue. They make their credibility an issue," he said.

Mr. Clinton, who had expected the town hall to focus on crime, the economy and health care, said he and Mrs. Clinton have provided every financial document to back their claims of honesty.

"She showed them as soon as they asked about them," Mr. Clinton said of his wife's release of her commodity trading records. That release followed several demands for the documents.

"When's the last president that went back 17 years before he became president and gave his tax returns up? Just look at them, don't take my word for it," he demanded of one critical questioner.

The president won support from Charlotte resident George Cook, who said, "We are behind you and we have not abandoned you."

That encouraged Mr. Clinton, who opened the televised town hall - the first of three this week - by emphasizing that his administration is not stunted by Whitewater and the investigation that money from Arkansas' failed Madison Guaranty Savings and Loan was illegally diverted to his 1984 gubernatorial campaign or the Whitewater Development Corp., a real estate partnership involving the Clintons, Madison owner James McDougal, and his then-wife, Susan.

"Sometimes I think, maybe, out here in the country, because of what comes across the airwaves, you may not know that the work of the people is going on," said Mr. Clinton.

But the questions on Whitewater-Madison and Mrs. Clinton's commodities trading demonstrated that the public is worried about how the issues are disrupting the Clinton White House. A political cartoon in the Charlotte Observer, for example, focused on Whitewater and displayed the president as a basketball player tripped by Whitewater's tangled strings.

Mr. Clinton arrived here Monday night to attend the college basketball championship and to press for rural health care reform in Troy, 50 miles east of here.

In a meeting with Troy hospital officials and a gathering of townspeople called together by the local Democratic Party organ, Mr. Clinton decried the "hot air" in Washington clouding his health care plan and accused critics of ignoring the needs and concerns of "the real world out here."

"What happens is we get up there in Washington, we start going to work on

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this, and all we ever hear from are lobbyists. Then the real world experience, what really is going on out here in the heartland of America, gets lost in a cloud of hot air," Mr. Clinton told some 200 gathered at the Troy Elementary School.

GRAPHIC: Photo, President Clinton works the crowd at the Troy Elementary School in Troy, N.C., to push health care reform., By AP

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 6, 1994

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LEVEL 1 - 2 OF 8 ITEMS

The Associated Press

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March 30, 1994, Wednesday, BC cycle

SECTION: UNDEFINED

LENGTH: 3010 words

BODY

By The Associated Press

Here are excerpts from recent editorials in newspapers in the United States and abroad.

March 28

The Clarion-Ledger, Jackson, Miss., on Whitewater:

The big, national pundits have gone to the mountaintop of the Whitewater "scandal" - Little Rock, Ark. - and found it to be "a confluence of power and money."

Wait a second. Let's get this straight. The Washington media are surprised that in a relatively small (by Northern standards), Southern city as Little Rock that the bankers and the lawyers there not only did business with one another but knew one another? Why, horrors! ...

Boy, it would probably just give all those Washington pundits the vapors to know the really big, big scandal, that a lot of these movers and shakers are actually related to one another! ...

You don't live in a small, Southern place ... for six or seven generations and not get related to other residents, either by blood or by marriage (or both).

What really seems to get the Washington Press Corps smelling blood in the water, though, is that the "scandal" involves a failed S&L. Ooooh. Juicy.

But, as one columnist has pointed out, the S&L involved, Madison Guaranty, which was set up for a fall by Washington's own deregulation, was only 0.05 percent of the Silverado belly-flop in which George Bush's son was involved and 0.0001 percent of the total cost of the S&L disaster.

Mind you, there really could be something to the Whitewater "scandal." There is a special counsel investigating and there is likely to be some congressional hearings. They should be left to do their work, without all the rumor-mongering and general sounding of alarums.

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But, then again, someone could point out that, being in Virginia, Washington still is a relatively small, Southern town, where (shhhh! Don't let the cat out of the bag) all the movers and shakers not only do business with one another, but know each other, too.

Scandalous! It's District of Columbia-gate!

March 30

The Daily Oklahoman, Oklahoma City, on Jay B. Stephens:

An "Orval Faubus Republican," the longtime Democratic governor of Arkansas used to say, "is a Republican who's for Orval Faubus."

That philosophy must have stuck with President Clinton and the young politicos who surround him. Otherwise, why would they be so outraged about the appointment of Jay B. Stephens as a Whitewater investigator?

The Resolution Trust Corp. hired Stephens to examine the Arkansas land deal and savings and loan scandal for possible civil action. The supposedly independent agency didn't clear it with the White House, and that infuriated George Stephanopoulos, Clinton's 33-year-old senior adviser.

Although the aide denies it, RTC sources say he asked about getting rid of Stephens, a partisan Republican. Here's one more reason for a full airing of the Whitewater affair. Meanwhile, at least one tough investigator is on the job.

March 26

The Leader-Herald, Gloversville, N.Y, on federal tax laws:

Federal tax laws on domestic workers, including baby sitters, are so ridiculous that many Americans can not believe they're real. So, by the millions, they don't comply with the laws.

Even some lawyers who know better don't bother to comply, as was demonstrated last year in the cases of Zoe Baird and others President Clinton wanted to nominate for high posts in the executive branch. Baird hadn't paid Social Security on a domestic worker.

A 1950 law requires that anyone with a housekeeper or baby sitter in their own home must pay Social Security taxes on any income over $ 50 a quarter paid to the employee. That covers everyone from the Bairds who have full time domestic help to the millions of working parents, who, barely making ends meet, still must pay the baby sitter. The law means that even a low-income working couple, using a $ 1.50 an hour baby sitter for as little as one week every three months, must go through the paperwork and the expense of sending in Social Security taxes.

Clearly, the law makes no sense. Finally this week, Congress began to recognize that. The Senate Finance Committee voted to update the law, requiring Social Security tax payments only on household employees paid more than $ 630 a year. The amount would increase in the future. Baby sitters and yard workers

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under 18 would be exempted.

The law should be enacted. It would be an end to the spectacle of a government which scoffs at hundreds of billions of dollars in deficit spending - yet feels it has to come down hard on people who need baby sitters.

March 28

The Daily Record, Malvern, Ark., on lobbyists:

The attack on lobbyists is getting more heated with each passing day. ...

In the midst of an angry public, increased media attention and several scandals, 35 states have enacted some sort of restrictions on the receipt of gifts by public officials.

And now Congress is rushing to slap limits on the wide variety of perks lobbyists lavish on them. Gifts range from meals to trips and golf outings. Members of the House and Senate are expected to get together after the Spring recess to hammer out a compromise between lobbyist-gift regulations passed by both governing bodies.

The legislation approved by both bodies broadens the definition of what constitutes a lobbyist, and requires more folks to register and disclose their activities. The bills also tighten the reins on the perks congressmen often receive from lobbyists.

Congressmen can tell the American public all day long that these perks don't influence their decision-making capabilities, but the public just isn't going to buy it. If nothing else it reflects that nasty appearance of evil that pervades government these days and chips away at the public's trust. ...

This country was founded on the premise of a government "by the people, for the people," not "by lobbyist, for special interest groups." The legislation under consideration by Congress is a good first step in reclaiming that right for the people.

March 28

Grand Forks (N.D.) Herald on health care:

Washington politicians appear to be stumbling around in a fog when they debate health care reform. They talk and talk, but a workable solution to finance universal coverage eludes their grasp. ...

The Democrats in Congress can't agree on a plan, and the Republicans have failed to craft an alternative. President Clinton's proposal, detailed in 1,342 pages, was rejected in a House subcommittee. ...

With an election seven months away, Congress is still under pressure to improve upon the current health care system. But it seems unclear how a consensus can emerge from the morass that's developed. ...

While the Washington politicians tarry, health care providers are taking

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major steps to remain competitive. Unfortunately, they are being asked to chart their courses while Washington remains in a fog.

March 30

The Star-Ledger, Newark, N.J., on welfare reform:

President Clinton is committed to reforming a welfare system that historically has perpetuated a cyclical, generational dependence by keeping millions of American families on the dole. . ..

Welfare reform is in the final drafting phase before the White House sends the proposed legislation to Congress. Some hard choice will have to be made by the president, including a version ... that withholds benefits from mothers who bear children while on relief rolls.

Proponents contend that a family cap would be leverage to enforce a fundamental goal of welfare reform, persuading recipients of Aid to Families with Dependent Children to assume responsibility to support themselves and their children. Opponents, however, maintain that it would violate recipients' most basic rights and result in families falling deeper into poverty.

A major problem - and a difficult one to resolve - is making able-bodied welfare recipients self-sufficient, able to take care of themselves and their children. That means not only providing employment but also job training to give poor parents an economic independence and dignity. ...

Under the Clinton reform, the government would train or educate welfare parents for up to two years; it would then provide public employment if there were no private sector jobs available. The problem with this time-limit on welfare is inadequate funding; the administration wants it to be self-funded, underwiting it with appropriations from existing poverty programs.

Obviously, that will not be enough for any meaningful welfare reform. There will be a need for additional funding to assess various versions of time-limited reform, but it can be done on a smaller scale, providing benefits for younger parents, as an opening phase in a continuing program that will be able to eliminate pitfalls that would be more costly later on.

March 27

Portales (N.M.) News-Tribune on regulations for farmers:

In the last days of the Bush administration a bill was slipped through and signed that could possibly be the ruination of the American farmer.

On April 15, all American farmers will be forced to comply with new Environmental Protection Agency workers' protection laws. The regulations are extensive concerning pesticide control and labeling, worker personal protective gear and cleanup.

Of course there is always a need for safety when working with pesticides, but we feel this Worker Protection Act goes beyond what the small farmer can afford.

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LEVEL 1 - 6 OF 6 ITEMS

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The Washington Times

April 6, 1994, Wednesday, Final Edition

SECTION: Part B; SPORTS; IN THE THE POOL; Pg. B1

LENGTH: 698 words

HEADLINE: Hey, coach Noel: Feel better now?

BYLINE: Tom Knott; THE WASHINGTON TIMES

BODY

The Pool hopes Nolan Richardson feels better about himself now.

The Pool has sympathy pains for coach Noel. As you know, no one gives him any respect. No one gives the Pool any respect, either. No one says he's cerebral because he's an African-American. The racists. He's just a recruiter who rolls out the ball to his athletes.

Well, the Pool thinks coach Nobel is Einstein and Tolstoy rolled into one, with a dash of Socrates. The man is profound. The man is deep. The man is an egghead. The man won the NCAA men's basketball championship Monday night. It doesn't get any more intellectual than that. What else does coach Null have to do to prove himself?

CBS opened its telecast Monday night with the no-respect storyline. What a piece of hard-hitting journalism.

Of course, CBS followed the standard line. But if CBS had bothered to check, it would have found that coach Molehill and Team Whitewater have been celebrated since the start of the season.

Who said coach Nolo Contendere didn't know his X's and O's? And if someone did say or write that, since when does that make a person a racist?

If that's the criterion, then the Pool is a coachist, because the Pool thinks too many college coaches are hypocritical frauds - starting with Dumbo Smith in Chapel Hill, N.C.

But no, CBS lobbed softball questions to coach Nuprin, and America was forced to endure yet another lesson in victimology, and before a college basketball game no less.

Do we live in a lousy country, or what?

To which the Pool says, try telling that to Fidel Castro's 10 million prisoners in Cuba, to 18 million in North Korea, to billions in China and India, to Muslims and Serbs and Croats, to Catholics in Northern Ireland, to peasants

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in Southeast Asia, to Kurds in Iraq, to hard-liners in the Middle East, to insurgents across the globe, from Mexico to Spain, to . . .

Oh, sorry. Can't we all get along?

Yes, America should be ashamed. Coach Nodule draws a nice salary from a nice school and has a nice family, along with a nice national championship ring. It's terrible. Awful. If life were fair, coach Nootka would have had his own personal Madison Guaranty Savings and Loan.

In a related development, the ever-oppressed Tony Hyde crash-landed with the Dukesters.

"I'm having a bad year," says Hyde, the 4-foot-8, 90-pound supporter of five layers of clothing volleyball. "I get falsely linked to nude volleyball. My Aunt Tonya hires the wrong people to do the job. I watch Hillary throw out the first ball and see she has a better fastball than half the pitchers on the Cubs' staff. And then I have to watch co-Prez Bubba cut down the nets."

Art Walsh, the 4-5, 75-pound lawyer who owns half of McLean, has gone underground again after picking the Dukesters to win the final game.

He thought the Dukesters were peaking at the right time, and maybe they were until Chris Collins attempted that crazy three-point shot from South Carolina in the waning seconds.

By the way, it was amazing how Grant Hill went into the game being touted as the best all-around player in college basketball and left it needing a consistent outside shot.

Loyal reader Steve Bailey says, "I'm happy for Nolan Richardson. Let the man shoot off some steam. He did a good job. He has every right to whine under the First Amendment."

Northern Virginia sleuth Dave Facinoli was intrigued by the sight of co-President Bill Clinton reveling in the atmosphere. You almost thought it was the start of his 1996 campaign.

"He was working the room, shaking hands with everybody," Facinoli says. "Go home, Bill."

Gaithersburg guru Marc Ostrom thought the best team won. Plus, he was getting weary of the stories detailing the Dukesters' squeaky-clean image.

"But you can't tell me that if Dean Smith would just play his best players, North Carolina wouldn't have been playing Arkansas on Monday night," Ostrom says.

No, the Pool can't tell you that.

That's what makes the tournament, and the Pool, so special each year.

Until next spring.

LANGUAGE: ENGLISH

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THE KANSAS CITY STAR.

SUNDAY, March 27, 1994

METROPOLITAN EDITION ★★★ $1.5

Whitewater trail begins here

Even before Clinton became president, investigators based in KC found signs of misdeeds that today have led to scrutiny of the White House

By MIKE McGRAW and JEFF TAYLOR
Staff Writers

Early last year, as the Clinton family settled into the White House, a Kansas City federal investigator named Laura Jean Lewis was pushing the Justice Department for action on an explosive matter involving the new president.

Working out of second-floor offices of a bank building south of the Country Club Plaza, Lewis and other investigators for the government's Resolution Trust Corp. had compiled allegations of criminal activity relating to Madison Guaranty Savings and Loan, the failed Arkansas thrift run by a former business partner of the Clintons.

Lewis and her colleagues had uncovered evidence alleging, among other charges, that Madison served as the center pivot in a $1.5 million check-kiting scheme involving several companies. One of the companies: Whitewater Development Co., a real estate venture owned in part by Bill and Hillary Clinton.

The Kansas City RTC office had sent its findings to the U.S. attorney in Little Rock in September 1992. But as the months passed, Lewis still hadn't heard whether the Justice Department planned to pursue the case.

To Lewis, it appeared that someone was sitting on the referral, officially designated "No. C0004." fact, the case was dead: The Just Department had declined to pr ecute.

But by the time word of the de sion reached Kansas City last Oc ber, Lewis and other investigat had pursued and put together a other recommendations for cri nal investigations into Madison i its owner, James B. McDougal.

Soon afterward, Lewis was

See RTC, A-12, Co

1307

A-1 MAR 28 '94 10:36 KANSAS CITY STAR ch 27, 1994 ★ ★ P.3

RTC probe of Arkansas S&L became a tug of war

Continued from A-1

moved from the case.

Details of Lewis' dogged pursuit of the S&L case are now emerging in interviews with RTC sources and others. Last week, a series of memos she wrote about Madison, including her increasing suspicions that Washington officials were trying to "cover up" her findings, were released by Rep. Jim Leach, the Iowa Republican who has become President Clinton's chief critic in the expanding Whitewater scandal.

Lewis' conduct in the case is central to the Whitewater matter. Critics, including some federal banking officials, charge that the 40-year-old former Texan was overzealous in her pursuit of a hard-to-prove, politically sensitive issue that might have jeopardized Clinton's presidential campaign.

Others, including Leach and Lewis' colleagues in the RTC, say she is simply a hard-driving, tough-minded investigator doing her job.

Lewis, the daughter of a retired Army major general, declined to comment on her role in the Whitewater affair. But colleagues say she is bright and tough, with sharp instincts and an excellent memory. She is a "warrior," a fellow investigator says, "a bulldog."

"Sometimes she comes off as a hard-core feminist," another colleague says. "But she's not hard-core. She's not a feminist. She's just tough, and as a result, some men have a hard time dealing with her."

Another top RTC investigator added: "She's got a lot of courage. And she just knows where to look."

Routine beginning

Lewis was first assigned to investigate Madison in July 1991. The assignment was routine, part of a plan by the RTC to take a new look at the 1989 failure of the Little Rock thrift.

In 1990, Madison owner James McDougal had stood trial in Little Rock on federal bank fraud charges arising from the collapse of his thrift, a failure that cost taxpayers at least $47 million. He was acquitted.

Lewis had planned to begin a new investigation in late 1992, but the course changed when *The New York Times* published a story in March 1992, raising questions about the business relationship between McDougal and the Clintons.

About the same time, according to RTC memos, the RTC's office in Tulsa, Okla., where Lewis worked before being transferred in 1992 to Kansas City, received a tip that a former Madison Guaranty employee had fabricated at least two years of minutes for Madison Financial Corp., a real estate subsidiary run by McDougal.

Based on that tip, Lewis and a fellow investigator traveled to Little Rock to examine Madison's records, stored in an old, drafty warehouse by the Arkansas River. Instead of an orderly, indexed filing system, they found chaos: "... the records were in very poor condition, (they) appeared to have been dumped and/or crammed into warehouse space," one memo said. Clearing out a space for a table and two chairs, Lewis and the other investigator set to work.

Among the first things Lewis found were work sheets related to a Madison development called Maple Creek Farms. A ledger sheet noted a $30,000 charge to Whitewater Development for the cost of an engineering study.

Lewis later wrote in an office memo that "this was the first indication of a relationship between Madison Guaranty Savings and Loan) and/or Madison Financial Corp.) and Whitewater beyond the existence of a Whitewater checking account" at the thrift.

By the following August, with the investigation in full swing Lewis had reached her conclusion — that McDougal's thrift and its related companies, including Whitewater, were entangled in what appeared to be a $1.5 million check-kiting scheme.

Nothing in her findings, according to sources, implicated the Clintons in any crime. In preparing her criminal referral on the Madison case for consideration by the Justice Department, the Kansas City office carefully named the Clintons as "witnesses," who may have benefited from their relationship with Madison, but not as "targets."

One reason for the caution sources say: Lewis and her bosses didn't want the Clintons' names to be added to a national computer data base containing the names of suspected embezzlers money launderers and savings and loan swindlers.

The data base is run by the Treasury Department's Financial Crimes Enforcement Network. The contents of the system are not available to the public, but RTC sources say the Clintons' names never popped up on the system.

The referral was forwarded on Sept. 1, 1992, to Charles A. Banks, the Republican U.S. attorney in Little Rock, and to Steve Irons, a special agent in the white collar crime unit of the FBI office in Little Rock.

The cover letters were written by L. Richard Iorio, a field investigations officer for the RTC in Kansas City.

With the presidential election in full swing, Banks wrote to the FBI agents that taking action in the heat of the campaign would be unfair. In the letter, according to a source who read it, Banks wrote that an investigation would constitute "prosecutorial misconduct" by giving legitimacy to allegations about Clinton that could not be proven.

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The letter also reflects the feelings of some Justice Department officials that Lewis was overzealous in her pursuit of the matter.

Banks almost immediately forwarded the referral to the Justice Department's main office in Washington, documents say, "because of the political ramifications and political motivations."

Back in Kansas City, however, Lewis was getting a different perspective on the matter. And she was about to realize that finding out what happened to referral No. C0004 was almost as hard as getting to the bottom of the Madison case in the first place.

Lewis apparently was encouraged by Irons, the FBI agent in Little Rock, to keep pursuing the case. According to RTC documents, Irons told Lewis he thought she had made a strong check-kiting case that should be prosecuted.

But for months, Lewis heard nothing. Finally in early May 1993, after Clinton had taken office, Lewis called Banks' office in Little Rock. She had a clerk check the office computer system for any trace of the Madison referral.

The clerk told her then that Banks had sent the referral up the line to the Justice Department office in Washington. "We'll probably never hear about it again," she told Lewis.

So Lewis called Justice Department officials in Washington. There, a department employee said they had no record of her referral. "It is not in their computer system, and it has not been given to an attorney," Lewis was told.

Lewis kept probing the bureaucracy, documenting her attempts in a series of electronic mail messages to her supervisors. She finally determined that the original referral had ended up at the Office of Legal Counsel at the Justice Department in Washington. Lewis explained the referral to another employee tracking it down for her. According to Lewis' memos, the employee answered: "Oh, the one involving the president and his wife."

When she found it, however, the employee told Lewis that Banks had not sent it in for prosecution, but — because the Clintons were named in it — had sent it in as a special report to the attention of the attorney general's office.

In late June, Lewis told her supervisors that a "reliable and confidential source" told her that the Madison referral had been returned to the Little Rock office of the U.S. attorney. Lewis' source said officials there intended to "sit on it" until Clinton appointed a new U.S. attorney for the office.

Finally, on Oct. 27 of last year, more than a year after the original referral was sent in, Lewis received a letter from Paula J. Casey, the Clinton appointee who took over from Banks as the U.S. attorney in Little Rock.

Casey noted that the referral had been reviewed in Washington, and action on it had been taken before she took office. However, she said she had reviewed the referral, "and I concur with the opinion of the department attorneys that there is insufficient information in the referral to sustain many of the allegations made by the investigators or to warrant the initiation of a criminal investigation."

Casey wrote that she was not ruling out future prosecutions about issues covered in the referral or related matters "in the event my office or the FBI are given access to records or information indicating that prosecutable cases can be made."

Meeting resistance

While wondering what happened to their first referral, Lewis and other Kansas City investigators began work on nine more criminal referrals growing out of the Madison case.

In September 1993, however, when the team was ready to send the new referrals to the Clinton Justice Department, they were beginning to sense new resistance to pursuing the matter, some of it allegedly coming from within their own agency.

Lawyers in the RTC's Professional Liability Section, which usually handled civil matters, were concerned that one of the nine referrals again mentioned the Clintons' Madison-related company, Whitewater Development, agency sources said.

Outside the agency, Justice Department officials and others in Washington were trying to co vince the Kansas City office change some conclusions in t referrals, according to info mation that came to light la week.

Most alarming to Washingt officials were assertions in the i vestigative reports that Madis had indeed suffered losses becau of Whitewater, agency sourc and others have said. But t Kansas City investigators stuck l their belief that the thrift had lo money through a Whitewate related check- kiting scheme ar other transactions.

Lewis was adamant. And, a cording to notes she kept of a co versation, she talked about tho concerns with April Breslaw, a c reer lawyer for the Federal D posit Insurance Corp.

Lewis quotes Breslaw in h notes as saying that "people at t top" were getting asked frequent about Whitewater and that t "head people," while wanting a "honest" investigation, wou "like to be able to say that Whit water did not cause a loss to Ma ison."

Breslaw could not be reach for comment at her office on Fr day. But last week she told *T New York Times* that Lew wasn't telling the truth: "I ca egorically deny the accusatio that I said that anybody fro Washington wanted any partic lar outcome on any issue."

Nevertheless, sources inside t RTC said the agency's lawyers the Professional Liability Sectio delayed the referrals, urging th references to Whitewater be a tered. The actions occurred abo the same time White House o ficials were meeting on at lea three occasions with officials fro the Treasury Department, whic oversees the RTC. Whether tho meetings were proper is the su ject of an ongoing investigation b a special counsel appointed to t Whitewater case.

The standoff in Kansas Ci grew so intense that by last Se tember, agency sources said, the had heard reports that the FI was considering an obstruction c justice investigation inside t

(3)

[illegible] just [illegible] hands [illegible] like to keep my job."

— RTC investigator L. Jean Lewis

agency.

To help break the stalemate, a top RTC official in Washington flew to Kansas City in the fall of 1993.

Finally, in October 1993, after a month's delay, the Kansas City office sent the nine referrals to the Justice Department.

The new referrals pursued a far broader range of accusations involving Madison than the earlier referral. Only one of the nine current referrals deals with Whitewater and Madison, sources familiar with the investigation say.

Among other things, the Whitewater-related referrals outlined at least two serious allegations: Check-kiting and efforts to funnel money to then-Gov. Clinton to help him pay off a $50,000 personal loan from his 1984 campaign.

The referrals, according to records released last week, allege that in one instance James McDougal drew a $30,000 check off the Whitewater account at Madison in April 1985 and converted it into a cashier's check.

That check was then allegedly deposited with Riggs National Bank in Little Rock, apparently to pay business expenses unrelated to Whitewater.

With that transaction, Whitewater's account was overdrawn by $28,000, records indicate. To cover the overdraft, McDougal allegedly moved money into the Whitewater account by collecting a "pre-bonus" from Madison Financial, the S&L's real estate subsidiary, which he controlled.

In one case, sources alleged, funds might have been shifted from three or four different accounts to keep ahead of such an overdraft. Madison Guaranty may have written off bad Whitewater checks as losses, sources said, adding to the ultimate losses at the S&L.

Sources have told *The Kansas City Star* that during one six-month stretch of time — December 1984 to May 1985 — $350,000 to $1 million in problem checks were written on the Whitewater account.

Some of those checks were written to pay normal development costs, such as putting in a road, for the Whitewater project in north-central Arkansas. Sources familiar with the RTC referrals said they knew of no checks written by either of the Clintons.

Lewis documented that $70,000 allegedly was transferred from Madison and affiliated companies into Whitewater during a six-month period, suggesting that Whitewater was benefiting from its connection to the thrift. She concluded that, if suspicious transactions could be tracked for a longer stretch of time, "the losses to Madison from the Whitewater account alone would easily exceed $100,000."

RTC investigators in Kansas City also uncovered evidence of suspicious campaign contributions to Clinton in 1985.

In one instance, a $30,000 loan from Madison Guaranty allegedly was converted into cashier's checks in amounts of $3,000 apiece, a source says. The checks then were allegedly given to close associates of the McDougals, including Madison directors, who then contributed money in their own names.

Sources familiar with the allegations would not say whether the loan that allegedly made the contributions possible was paid back.

Procedural questions

In recent days, RTC spokesmen in Washington refused to discuss allegations that the agency's lawyers stalled the Whitewater investigation. They said the agency's Professional Liability Section lawyers, who normally handle civil cases, fulfilled their proper role by reviewing the criminal referrals before the Justice Department was allowed to see them.

But current and former agency lawyers and other officials interviewed by *The Star* say the actions of the Professional Liability Section were unusual, and may have constituted a serious conflict of interest.

"The FBI and the Justice Department were aware PLS was trying to stop the investigators," said one agency source. "Those referrals would have been out a long time before they were if not for the PLS."

Heavy PLS involvement in criminal referrals was a first, agency sources said. The referrals previously were sent directly to the Justice Department or other agencies after they were written and reviewed by RTC criminal investigators or "criminal coordinators."

Official RTC spokesmen refused to respond in detail to the allegations or new reporting procedures, but argue that lawyers in the Professional Liability Section have always reviewed criminal referrals before they are sent to the Justice Department, the FBI or other investigative agencies.

Sources inside the agency,

See INVESTIGATORS, A-13.

though, say the practice is nev

"I just simply did not re criminal referrals," said Burnside, a former PLS la who left the agency last year St. Louis law firm. "When the RTC, not only was it not a icy, but policy was that crir referrals were not our respon ity."

Bruce Pederson, current PLS attorney for the agenc Denver, agrees. "Whenever start mixing civil and crir cases, you cause problems both of them."

One problem: possible con of interest. For example, a lawyer pursuing a civil against a thrift official might a position to threaten to se criminal referral to the Justic partment if the civil case wer settled. One RTC lawyer said an action could be construe extortion.

A veteran East Coast criminal investigator, who sa would be fired if his name used, said his fellow investig in Kansas City did every possible to make the system in the Whitewater case.

Nevertheless, last Noven Lewis was abruptly removed the RTC case. Although no fo explanation has been given, L was suspected by federal offi of having leaked information reporter, sources said. But continued after Lewis was signed, a Justice Depart source said, adding that "it l like she might not have bee right person."

Despite her removal, L continues to show an intens terest in the investigation continues to monitor the passing along thoughts in freo electronic mail messages to leagues.

On Jan. 6 of this year, after ing a call from a reporter, L wrote in a memo to herself: beginning to sound like s body, or multiple 'somebo are trying to carefully contro outcome of any investigation rounding the RTC referrals, that the beginnings of a cov may have already started mc ago."

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Lewis, recently recovered from a bout with bronchitis, says she hasn't read stories on the Whitewater affair in recent days. Asked to comment on her recent notoriety in the case, she said: "I'm sorry, but I just can't comment. My hands are tied. I'd like to keep my job."

Now Lewis is working with Robert Fiske, the special counsel assigned last month to investigate Whitewater by Attorney General Janet Reno. She was in Little Rock earlier this month.

In the end, the grand jury and Fiske will have the last word on whether it is Lewis — or her detractors — who is on the mark.

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 31, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are eight (8) news articles from Nexis, relating to Madison Guaranty, dated March 30, 1994.

LEVEL 1 - 1 OF 8 ITEMS

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

March 30, 1994, Wednesday, AM cycle

SECTION: Domestic News

LENGTH: 245 words

HEADLINE: Some Madison Records Dumped in 1990

DATELINE: LITTLE ROCK, Ark.

BODY

Boxes of records from a savings and loan at the center of the Whitewater investigation were abandoned in a rented storage room and then dumped in the trash, the rental company's owner said Wednesday.

Ralph Bozeman, owner of Storage World, said an employee who managed the storage space threw out about three or four boxes left behind by Madison Guaranty Savings & Loan in 1990. Bozeman said his records show that Madison rented the space from Jan. 5, 1989 to May 16, 1990.

On that date, Madison moved most of its records out but left a few boxes behind. Bozeman said the manager, Carroll Lee, told him there was "stuff left over," and was unsuccessful in reaching anyone at Madison.

Storage World kept the records for six weeks despite receiving no further payments from Madison.

Bozeman said that Lee, "tried to auction off the property, but nobody wanted to buy old bank records." He said Lee then threw the unwanted boxes away.

Lee did not immediately return a phone call seeking comment.

By the time the Madison records were discarded, the savings and loan was under the control of the Resolution Trust Corp. in a takeover that cost taxpayers between $ 47 million and $ 60 million.

Special Counsel Robert Fiske Jr. is investigating, among other things, whether funds from Madison went into the Whitewater real estate development, a failed venture in which President Clinton - then governor of Arkansas - and Hillary Rodham Clinton were investors.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 30, 1994

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With the new Workers Protection Act each farmer will have to spend several thousand dollars to come into compliance with the EPA.

Special protective gear for different types of pesticides will have to be purchased, showers and wash centers will have to be built, farmers will have to learn how to train workers, and will also be forced to keep extensive records on when, where, and how much of a pesticide was used.

Workers will have to carry documentation of training and retraining. If workers do not have documentation with them, if there happens to be a surprise check by EPA officials, the burden is placed on the farmer.

What can one mistake mean to the average farmer? It will mean thousands of dollars in fines. ...

It is time the government take steps to help the American agricultural market get stronger, not take steps to weaken the very structure this country was built on.

March 27

Record-Courier, Kent-Ravenna, Ohio, on Jonathan Pollard:

Jonathan Pollard is a convicted spy who sold this nation's secrets for a price. The fact that one of our staunchest allies was the beneficiary of his actions does not change that fact.

Pollard, a former civilian intelligence analyst for the Navy, delivered military intelligence documents to Israel. He got nearly $ 50,000 for the information, which he said was vital to Israel's defense.

Prosecutors said the information did not pertain to Israeli defense and could have fallen into the hands of hostile nations. Pollard was convicted in 1986 and is serving a life sentence. He does not become eligible for parole until 1995.

President Clinton recently rejected a clemency request for Pollard.

The president acted wisely in rebuffing efforts by Israel, some American Jewish organizations and others who sought Pollard's early release.

March 25

The Daily News, Longview, Wash., on immigration asylum:

Immigration Judge Kendall Warren in Portland (Ore.) made the right decision in allowing Lydia Oluloro, a Nigerian national, to remain in the United States. Oluloro had sought asylum on grounds that her daughters, ages 6 and 5, would be subjected to genital mutilation if the trio were forced to return to their homeland, as demanded by Oluloro's estranged husband. ...

The Oluloro family's deportation to Nigeria would likely have resulted in the crude surgical denuding of the girls' external genitalia.

This 1,000-year-old African custom is rooted in tribal tradition that males

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be provided with brides devoid of both sexual pasts and chances of future sexual wanderings stemming from unclean lust.

Such genital mutilation, which Lydia Oluloro suffered at age 4, promises girls futures of pain, infection, and possible death during childbirth. It is nonsense, and an African tradition no more worth perpetuating than America's own sordid tolerance of wife-beating, child abuse, and racial discrimination.

Judge Warren's was a thoughtful, humane decision that fortunately was based solidly in law. ...

Let Warren's decision be known widely in Nigeria and elsewhere.

March 25

Ming Pao, Hong Kong, on U.S.-China relations:

Not only is the Chinese government's tough stance on human rights consistent with it long-held aversion to other countries using human rights issues to interfere in China's internal affairs, but it also indicates that Beijing is increasingly inclined to take Washington's human-rights diplomacy as evidence of America's feebleness.

Last year President Clinton, dispite his high-sounding campaign rhetoric, renewed MFN (Most Favored Nation) for China. He did so not because he was merciful but because Wasington came to realize that Sino-U.S. trade was mutually beneficial and MFN was no handout. The U.S. authorities, being pragmatic enough to recognize the mutually beneficial relationship, would not easily discontinue China's MFN status.

However, they feel compelled to do something about China's human rights record so they can tell the Americans, the media and Congress they have done what they ought to do. This was the purpose of (Secretary of State Warren) Christopher's trip - to secure Beijing's cooperation in putting up a show that would allow the U.S. to back down with good grace and enable China to retain MFN. But Beijing wanted no part in the opera, the libretto which Washington had written. During his meeting with Christopher, Chinese Premier Li Peng warned the Americans in strong terms that China would retaliate if the U.S. termintated the MFN status.

March 28

Saudi Gazette, Jiddah, Saudi Arabia, on Korea:

Peace is a fragile commodity. War erupts as soon as countries find a tilt in the balance of terror. Korean Peninsula is preparing for another war in 40 years just because the United States is convinced that North Korea already has or is about to have a nuclear edge over South Korea. North Korea itself is trying to be the last defender of communism and seems ready to go any length to keep its enmity with South Korea alive even if it is highly detrimental to the people of the peninsula. If a war breaks out there, the arms industry will be the only beneficiary.

One thing, however, is deceptively heartening. Despite high military alert in both Koreas the two countries are carefully avoiding all sorts of border

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incidents. Nevertheless, a precipitate action by the U.N. Security Council may well deteriorate the highly volatile situation. And the Security Council is being pushed to the proverbial wall by Pyongyang. If history is any lesson, a war that is likely to erupt in Northeast Asia will be inconclusive. Seoul knows it better than anyone else in the U.N. South Korean Foreign Minister Han Sung-joo said on (March 27) that a Security Council resolution suggesting economic sanctions against North Korea was a bad idea. He was trying for a softer non-binding statement to persuade Pyongyang to accept thorough U.N. inspections of its suspect nuclear sites which "may be more effective." ...

The South Korean people are neither cowards nor untrained. Given the military power of North Korea they may need American military help in case of a war, but then the question is whether they really need a war to convince Pyongyang of their supremacy. Although a token protest in Seoul against deployment of U.S. Patriot missiles by merely 85 students branded "radical," it may be a pointer of future internal trouble. Moreover, on March 26 the U.S. brought C-141 and C-130 transport planes loaded with troops and military equipment to its air force bases in South Korea from overseas bases. This should explain who is interested in war and why and demands different behaviour of Pyongyang.

March 29

The Guardian, London, on Macedonia:

At a time of tentative peace in Bosnia, the crisis over Macedonia threatens a new focus for Balkan tension. For the past month, Greece has enforced a frontier embargo on trade with Macedonia which violates the spirit and probably the letter of European Union law. The warning given now to Greece by its Union partners should have been delivered earlier. ...

Skopje has made one bad mistake by incorporating the 16-point Star of Vergina - symbol of the ancient "Greek" Macedonians - in its flag. Not surprisingly the issue has become a symbol of Greek political virility. A hint of pragmatism by the new Pasok government was not sustained. But Greece's best interests cannot be served by a weak Macedonia increasingly vulnerable to ethnic Albanian tension, nor by creating a situation in which Belgrade or Tirana could intervene. Athens should reflect too that Bulgaria and Turkey were the first to recognize Macedonia.

The blockade must be ended and the transit rights in Thessaloniki guaranteed by treaty to Skopje be restored. Macedonia can help: it should at least reduce the Star to an eight-point version.

March 30

Moskovsky Komsomolets, Moscow, on Russian local elections:

The recent local elections in Russia have shown that the people are tired. The peak of voters' activity barely reached 45 percent. It is enough for the elections to be valid but can hardly be called a majority. And there was an interesting trend: rural voters were more active in expressing their will, while city dwellers preferred to keep their opinions to themselves. ...

Those voting are those who have hopes to see a (positive) result, and it

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seems that Russians have no hope left. The people of Crimea have a hope. There, 60 percent of voters came to the polls. The (pro-Moscow) "Russia" bloc is leading, according to preliminary data. This means that they pin their better hopes on Russia. Russian voters have no one to pin their hopes on.

End Editorial Roundup

LANGUAGE: ENGLISH
LOAD-DATE-MDC: March 30, 1994

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LEVEL 1 - 3 OF 8 ITEMS

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Los Angeles Times

March 30, 1994, Wednesday, Home Edition

SECTION: Part A; Page 20; Column 1; National Desk

LENGTH: 298 words

HEADLINE: 'REVITALIZED' OVER WHITEWATER, MCDOUGAL SAYS HE'LL SEEK OFFICE

BYLINE: From a Times Staff Writer

DATELINE: WASHINGTON

BODY

James B. McDougal, the Arkansas business partner of the Clintons in the failed Whitewater real estate deal, announced a bid for Congress Tuesday, saying that the controversy has "revitalized" him after years of bankruptcy, bad health and mental illness.

McDougal is under investigation by Whitewater special counsel Robert B. Fiske Jr. in connection with a variety of actions arising from the Whitewater project and the failure of Madison Guaranty Savings & Loan, which he owned. He declared his candidacy in Arkansas' 4th District, which includes his current residence of Arkadelphia.

"I've just decided it's time for me to come out again and give these Republicans a fight," McDougal told a packed gathering of reporters in the state Capitol rotunda in Little Rock.

The seat is currently held by Republican Jay Dickey of Pine Bluff, who was first elected in 1992.

McDougal said that he is not planning to advertise much because the Whitewater scandal has made his name well known.

The Whitewater figure said that he would not have a large campaign budget because he is broke, living on approximately $1,000 a month in Social Security disability payments and a small inheritance. He is living in a borrowed bedroom in a friend's house in Arkadelphia.

McDougal, 53, suffered a stroke in 1986 and said he has been battling manic depression for several years. He said Tuesday that he takes the mood-altering drugs Prozac and lithium.

He and his former wife, Susan, were equal partners with President and Mrs. Clinton in the Whitewater Development Corp., a 230-acre retirement property project in northern Arkansas.

Fiske is examining the real estate venture and its relationship to now-defunct Madison Guaranty. Madison's failure in 1989 cost taxpayers at

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least $47 million.
GRAPHIC: Photo, James McDougal holds copy of Whitewater property deed in Little Rock. Later, Clintons' ex-business partner filed to run for Congress. Reuters

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 31, 1994

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LEVEL 1 - 4 OF 8 ITEMS

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THE DALLAS MORNING NEWS

March 30, 1994, Wednesday, HOME FINAL EDITION

SECTION: NEWS; AROUND THE U.S.; Pg. 12A

LENGTH: 451 words

HEADLINE: AROUND THE U.S.

BYLINE: From Wire Reports

BODY

Whitewater figure files for Arkansas Congress race

LITTLE ROCK, Ark.- James McDougal, a central figure in the Whitewater controversy surrounding President Clinton, filed Tuesday as a candidate for Congress in Arkansas' 4th District. Mr. McDougal, whose lawyer has said he expects his client to be indicted in the Whitewater affair, was a partner with the president and Hillary Rodham Clinton in the Arkansas real estate development known as Whitewater. He also was chairman of Madison Guaranty Savings and Loan, which helped develop Whitewater through a real estate subsidiary.

1st funerals for Palm Sunday tornado victims held

The first funerals were held Tuesday in Jasper, Ga., for some of the 43 people killed across the South during the Palm Sunday tornadoes in Georgia and Alabama. Federal Emergency Management Agency Director James Lee Witt flew by helicopter Tuesday along the path of the tornado. Vice President Al Gore planned to inspect the devastation Wednesday.

Spy suspects win permission to spend money on son

ALEXANDRIA, Va.- Jailed on spy charges, Aldrich 'Rick" Ames and his wife won permission Tuesday to spend $ 500 a month on their 5-year-old son. But the payments must come from an overseas account that a defense lawyer says contains only the pension of the child's grandmother.

National Cancer Institute suspends research group

BETHESDA, Md.- The National Cancer Institute, struggling to cope with continuing fallout from revelations of fraud in breast cancer research, suspended one of the nation's oldest and largest breast cancer research organizations Tuesday and ordered the replacement of the group's chairman and administrative staff. Dr. Bernard Fisher, insisting that the results of his two decades of breast cancer research had not been compromised by the fraud, quickly agreed to step down as chairman of the National Surgical Adjuvant Breast and Bowel Project. Dr. Fisher, 76, remains on the faculty of the University of Pittsburgh, where the project has its headquarters.

Briefly . . .

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Pope John Paul II will visit the United States this fall, traveling to New York to speak to the United Nations "on or about Oct. 20," according to WCBS-TV of New York City. . . . The lawyer for an Edison, N.J., asphalt plant next to a natural gas pipeline that ruptured and exploded last Wednesday said Tuesday that the plant's current operators had not done any digging on the property in the 10 years they owned it. . . . Former Rhode Island Gov. Edward DiPrete has been indicted, along with his son, on 24 counts of racketeering and extortion in connection with Mr. DiPrete's 1990 campaign, the attorney general's office announced Tuesday.

GRAPHIC: PHOTO(S): James McDougal

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 31, 1994

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LEVEL 1 - 5 OF 8 ITEMS

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The New York Times

March 30, 1994, Wednesday, Late Edition - Final

SECTION: Section B; Page 8; Column 6; National Desk

LENGTH: 167 words

HEADLINE: Clinton's Ex-Partner Is House Candidate

DATELINE: LITTLE ROCK, Ark., March 29

BODY

James B. McDougal, the Clintons' partner in the Whitewater real estate venture now under investigation, became a Democratic candidate for Congress today.

Mr. McDougal, 53, continued to maintain that Bill and Hillary Clinton did nothing illegal when they invested with him and his wife in the Whitewater resort development in the Ozark Mountains in 1978. Federal authorities are investigating Whitewater and its connection with Madison Guaranty Savings, which Mr. McDougal owned until it failed, costing taxpayers about $60 million.

"No S.& L. money went into Whitewater," Mr. McDougal said in a news conference announcing his candidacy for the Fourth District seat held by Representative Jay Dickey, a Republican. "I'm prepared to go to the grand jury or to any court in the land tomorrow to prove that fact."

Mr. McDougal said he would use his candidacy to answer questions about Whitewater and rebut accusations against the Clintons. He faces two other Democrats in a May 24 primary.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 30, 1994

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LEVEL 1 - 6 OF 8 ITEMS

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March 30, 1994, Wednesday, Final Edition

NAME: JOSHUA STEINER

SECTION: STYLE; PAGE B1

LENGTH: 1709 words

HEADLINE: SO, WHO IS JOSH STEINER?;
He's 28, Smart, Connected -- And Hip-Deep in Whitewater

SERIES: Occasional

BYLINE: Clay Chandler , Jason Vest, Special to The Washington Post

BODY

Joshua Steiner hardly looks as if he should be a central character in Washington's hottest melodrama, "The Whitewater Diaries."

Tall, clean-cut and cherub-faced, the 28-year-old Steiner looks barely old enough to buy a drink. It's hard to picture him involved in anything more scandalous than a fraternity prank. And on the surface, what he did seems innocent enough -- take a telephone call from a friend who wanted, the friend later said, to "blow off steam."

But the friend was George Stephanopoulos, one of President Clinton's closest advisers. And what had gotten him so mad was news that the Resolution Trust Corp., the government agency cleaning up the debris of failed savings and loans, had hired an outspoken administration critic to investigate a defunct Arkansas thrift tied to the Clintons.

And Steiner just happens to be Treasury Secretary Lloyd Bentsen's chief of staff.

Disclosure of that call last week sucked Steiner deeper into the swamp of questions that is Whitewater. Steiner has been subpoenaed to testify by special counsel Robert B. Fiske Jr.'s probe into whether the White House improperly meddled in an RTC investigation that could prove embarrassing to the president.

Tomorrow a grand jury will question Steiner about his conversations with Stephanopoulos and other White House and Treasury officials concerning the RTC investigation. But Steiner has already provided Fiske a diary detailing those contacts. Fiske is using that log as a guide for his probe of the administration's handling of the matter.

None of the evidence that's surfaced so far suggests that Steiner has done anything wrong.

Before his telephone chat with Stephanopoulos was disclosed, Steiner could

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joke about his impending date with the grand jury. "I'm curled up, I'm in a fetal position, I'm cowering in a corner, I'm on a train outta here in two hours," he said with a laugh.

But this week, Steiner had a more buttoned-down reply to inquiries from reporters: Call my lawyer.

While it has taken Whitewater to put Steiner in the public eye, he's been an important member of the Clinton team since before Inauguration Day.

Despite his youth -- or maybe because of it -- Steiner occupies a key position on the Clinton economic team. He is one of the legion of young, largely anonymous aides -- many of them Ivy Leaguers in their thirties, many of them veterans of Michael S. Dukakis's 1988 presidential campaign and a remarkable number of them closely allied with Stephanopoulos -- who occupy key jobs throughout the administration. They are "the kids to see," the ones who handle strategy on a daily basis, who implement policy. It is often their personal ties that help an otherwise sprawling, chaotic government pull together and get things done.

As chief of staff, Steiner helps Bentsen manage the day-to-day affairs of the Treasury Department. But one of his main functions is as the link between Treasury and the White House, a role for which his close friendship with other youthful Clinton aides -- particularly Stephanopoulos -- has proved invaluable.

It helps, too, that Steiner served as special assistant to Deputy Treasury Secretary Roger C. Altman for eight months before he moved on to the post with Bentsen.

"Josh is a significant part of the glue that keeps this building together," says Treasury Undersecretary Lawrence H. Summers.

Steiner's colleagues throughout the administration laud his judgment, his political savvy and his ability to get along in an administration packed with outsize egos and high-powered ambitions. "No sharp elbows," says his boss, Bentsen. In that sense, he has followed in the footsteps of his father, Daniel Steiner, general counsel at Harvard University for nearly two decades.

"We were so impressed with Josh's work on Treasury-related crime matters that we insist he come to our daily meetings to map out strategy on passing the crime bill," says White House domestic policy adviser Bruce Reed. "We've been teasing him a little bit that he might not want to come to any more White House meetings, but he keeps coming anyway."

Steiner shares responsibility for managing the flow of people and paper to Bentsen with executive secretary Edward S. Knight, a lawyer who followed Bentsen to Treasury after being his longtime aide in the Senate. But when it comes to policy matters, says one Treasury official, "Josh is the main man."

Accompanying Bentsen on his January tour of Asia, Steiner was soft-spoken and deferential -- almost like a dutiful grandson -- and constantly at Bentsen's elbow. In Indonesia, China and Japan -- countries where age is a virtue and 28-year-olds aren't generally taken seriously -- Steiner was clearly a source of puzzlement to senior government leaders meeting the Treasury delegation.

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Altman, who headed the White House budget "war room" last year, gives Steiner high marks for his support during that intensive policy battle. The night the budget plan passed the Senate on Vice President Gore's tie-breaking vote, a huge celebration broke out in the Roosevelt Room, down the hall from the Oval Office, Altman recalls.

"I read this Letterman-style Top 10 list of reasons why the budget passed," Altman said. "It had things like, 'No one wanted to have lunch with the president anymore,' 'Everyone's afraid of Hillary,' 'Nobody wanted to go to Andrews Air Force Base for a budget summit with Bob Dole.' Everybody loved it. I read it -- but Josh wrote it."

Steiner, a native of Cambridge, Mass., and a graduate of Phillips Exeter Academy in Andover, Mass., met many of the people he now works with -- including Stephanopoulos, National Economic Council deputy Gene Sperling and Sylvia Matthews, assistant to NEC head Robert E. Rubin -- in 1988 when, fresh from Yale College, where he was captain of the lacrosse team, he joined the ill-starred Dukakis campaign. Though Steiner played a relatively minor role in the campaign, working on the issues staff and serving as the candidate's aide-de-camp on the road, many pegged him as a future political star.

Steiner spent the several years after Dukakis's defeat bouncing about the globe -- touring Asia, doing a six-month turn at a New York investment bank, spending a year studying British history at Oxford and serving a brief stint as an election observer in Pakistan.

Through it all, he stayed in regular contact with Stephanopoulos and other Dukakis warriors. In 1991, Stephanopoulos, by then a top aide to House Majority Leader Richard A. Gephardt (D-Mo.), recruited Steiner to serve as chief aide to New York Public Library President and former Georgetown University president Timothy S. Healy.

Coming from Stephanopoulos, the recommendation was a high compliment. Before signing on with Gephardt, Stephanopoulos himself had worked for Healy, and he had an abiding respect for the Jesuit priest.

In December 1992, Sperling, with Stephanopoulos's encouragement, came to Steiner with another job offer: Would he come to Washington to work for Altman, a key player on the transition team of President-elect Clinton? The invitation was a plum. By that point, only the most grizzled campaign veterans were being offered top jobs on the transition team.

"He agonized for days over his decision because he felt very loyal to Healy," recalls Sperling, himself a Stephanopoulos protege. "Finally, we had a conversation in which I yelled, 'You will regret it forever if you don't take this.' I told him it would be criminal not to take this opportunity."

Altman says he was "immediately taken" with Steiner after working with him on the transition. When Clinton named Altman as deputy Treasury secretary, he asked Steiner to be his special assistant.

Soon after the budget battle, Bentsen drafted Steiner to replace his top aide, Philip N. Diehl, now acting director of the U.S. Mint. The move struck

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some as unusual because it paired Bentsen, then 72 and the oldest member of the Cabinet, with Steiner, then 27 and the youngest chief of staff of a Cabinet agency.

But to Treasury and White House officials, the choice made perfect sense.

Bentsen chose Steiner after KPMG Peat Marwick, the management consulting firm commissioned to evaluate Treasury's operations, concluded that Bentsen needed a strong chief of staff who was well equipped to coordinate with the White House.

Steiner's rapport with Stephanopoulos may be the reason Altman sought out his former aide on Feb. 25, after he received a heated phone call from Stephanopoulos and deputy White House chief of staff Harold Ickes.

The two berated Altman for his decision to recuse himself from matters dealing with Madison Guaranty Savings & Loan, the Arkansas lender that helped finance the Clintons' Whitewater real estate venture, and railed against the appointment of Republican Jay B. Stephens, a former D.C. federal prosecutor who had harshly criticized Clinton, as head of the agency's investigation into Madison.

The tantrum put Altman in a bind. He prized his reputation in the White House as a team player but had been lambasted by Republicans in Congress the previous day after acknowledging he had briefed White House officials on the status of the investigation.

Stephanopoulos has said he asked Steiner whether Stephens's appointment was final, but dropped the issue after Steiner told him nothing could be done. It's not clear, however, whether the discussion ended there or whether Steiner made inquiries about removing Stephens before telling Stephanopoulos it couldn't be done.

In the days ahead, Steiner's skills as a mediator will be put to the test. Last week's disclosure clearly put a strain on relations between Steiner's two main mentors, Altman and Stephanopoulos. That's on top of tension between Altman and Steiner's current boss, Bentsen, over speculation that some in the White House favor Altman as Bentsen's eventual successor. Bentsen has been notably circumspect in expressing his support for Altman in the furor over Altman's meeting with White House officials over Whitewater.

That leaves Steiner in the middle. "I think probably Josh will handle this the way he handles anything else," says Sperling. "He won't try to game it; he won't think too much. He'll just try to do the right thing."

GRAPHIC: PHOTO, JOSHUA STEINER, CHIEF OF STAFF TO TREASURY SECRETARY LLOYD BENTSEN AND ONE OF THE "KIDS TO SEE" IN THE CLINTON ADMINISTRATION. TREASURY DEPARTMENT

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 30, 1994

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LEVEL 1 - 7 OF 8 ITEMS

Copyright 1994 News World Communications, Inc.
The Washington Times

March 30, 1994, Wednesday, Final Edition

SECTION: Part A; NATION; INSIDE THE BELTWAY; Pg. A6

LENGTH: 859 words

BYLINE: John McCaslin; THE WASHINGTON TIMES

BODY

NO FREE EGGS

It's Easter egg time at the White House, and this Monday thousands of children will converge on the South Lawn for the annual Easter egg hunt and roll. And don't believe for one moment that the Easter Bunny deposits all those eggs.

Instead, we've learned that six association co-sponsors are being sought - each willing to donate $5,000 - to head up this year's Easter at the White House activities, an annual event that began with first lady Dolley Madison in 1809.

Associations agreeing to be co-sponsors will attend a special VIP breakfast with President and Mrs. Clinton, receive six invitations to South Lawn ceremonies and be allowed to display a banner with their association logo.

It came as no surprise that two sponsors to date are Perdue and the Egg Council.

HEALTH NOTES I

Dr. Jack J. Rosenberg, an orthodontist in Burke, Va., has written a letter to Hillary Rodham Clinton objecting to the policies set forth in her proposed health care package. He mailed us a copy.

"Now a personal note," the doctor wrote in closing. "I know that you have chosen perhaps the most expensive orthodontist on the East Coast to continue your daughter's orthodontic care. I know this provider personally and I applaud your choice.

"I am equally certain you chose this orthodontist after careful consideration of all factors. You passed up many orthodontists closer to your home. Fort Meade would also provide free care for your daughter. Therefore, I assume that when it comes to your own family, freedom of choice, based on the skill and care you will receive, not price or convenience, dictated your decision."

HEALTH NOTES II

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Dr. Charles F. Colao, an internist from Marlow Heights, notes with interest that a cardiologist will be joining President Clinton's medical staff, which already includes practitioners of several medical subspecialties to provide services for the Clintons and Gores.

"In the Clinton Health Care Plan, care is to be delivered by a gatekeeper or a primary care physician who then will decide whether any specialty care is needed," writes Dr. Colao.

"It appears that there is a considerable hypocrisy here in that the Clintons and the Gores are not following the recommendations of their own plan."

STREET LEGAL

Local police in Coronado, Calif., chided President Clinton's family yesterday for a bit of minor law-breaking committed in the presence of most of the city's 40 police officers.

The department presented the Clintons and a Sidwell Friends classmate of daughter Chelsea with bike helmets, so they will be road-legal on future bicycle expeditions.

Chelsea's friend received minor injuries to her right leg Monday when her bike crashed into the open door of a tourist's pickup truck. No helmets were worn by the girls, Mrs. Clinton or the Secret Service agents who were outriders for the president's jog, in the company of squads of police.

IT'S A SMALL WORLD

NPR reporter Nina Totenberg pricked our interest over the weekend when she dished on "Inside Washington" that "a very fine investigative reporter for one of the nation's best newspapers has had to recuse himself" from covering the Whitewater-Madison affair.

According to Ms. Totenberg, the man's wife is from Little Rock, and what's more, had sold land to former Madison Guaranty majordomo Jim McDougal.

We wondered: Could the mystery man be . . . Walter Pincus of The Washington Post, whose wife, Ann, hails from the Arkansas capital?

Bingo.

"The part that's not correct is I didn't have to recuse myself," Mr. Pincus told us. "It was my decision. The Post didn't come to me."

Not only is Mr. Pincus' wife from Arkansas; she's also in the administration. Ann Pincus has been director of research for the U.S. Information Agency since last August.

The reporter called his decision "a personal thing."

"I know all these people," he said, referring to the principal characters in the unfolding Whitewater-Madison drama. "We have a good friend who's a lawyer in the Rose Law Firm, who handles some of our stuff in Little Rock. If you go

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back far enough, you'll find I wrote an op-ed piece about my relationship with Vince Foster, when he died."

The Foster op-ed was the only Whitewater-related article he's done, said Mr. Pincus, who often writes on national security issues.

ALMIGHTY DOLLAR

Hugh Turley of Hyattsville was so impressed with a recent speech by Rep. Jim Leach, Iowa Republican, that he called the congressman's office and offered to send him a campaign contribution, should he run again.

But Leach aide Mary Andrus told him, "Congressman Leach does not accept money from PACs or persons who do not live in his state."

Just for the heck of it, Mr. Turley called the offices of House Speaker Thomas S. Foley and Rep. Dan Rostenkowski, Illinois Democrat and chairman of the House Ways and Means Committee. Foley aide Bill Bielier and Rostenkowski aide Kris Kanthak told him where to send the money.

GRAPHIC: Photo, Don't thank the Easter Bunny for the White House frolic Monday.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 30, 1994

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LEVEL 1 - 8 OF 8 ITEMS

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The Washington Times

March 30, 1994, Wednesday, Final Edition

SECTION: Part A; Pg. A13

LENGTH: 839 words

HEADLINE: Ex-chiefs of RTC recall no politics there before '93 ;
The problem is Altman, they say

BYLINE: Michael Hedges; THE WASHINGTON TIMES

BODY

Former and current officials at the Resolution Trust Corp. yesterday denied Democratic charges there had been frequent contacts between the agency and Republican administrations, saying such interaction originated with the Clinton White House.

"I never received a single inquiry from the White House, nor did I seek advice from them," said Albert Casey, who was interim chief executive officer of the RTC during the Bush administration. "It would have been inappropriate and improper," he said.

Mr. Casey said reports of meetings between acting RTC head Roger C. Altman and White House aides and a complaint by presidential adviser George Stephanopoulous to the RTC about a law firm working for the agency were "amazing."

"That should not happen at the RTC," he said. "We appointed hundreds of law firms when I was there and no one in the White House ever said, 'Don't use this firm, or hire that firm.' "

Former RTC Chairman L. William Seidman said: "We never discussed individual cases, individual people, individual law firms with the White House. In doing that, they are getting awfully close to violating the law. The law clearly says that shouldn't happen."

In recent days, President Clinton and Democrats in Congress have sought to portray the RTC as filled with Republican political appointees and a part of the executive branch of government answerable to the White House.

On Monday, Rep. Henry Gonzalez, Texas Democrat, who has fought efforts to hold hearings on Whitewater-Madison, said: "They [RTC officials] never hesitated to consult with the White House and check with the White House. I mean, that's executive branch."

And three times in his televised press conference last Thursday Mr. Clinton referred to Republican "appointees" at RTC as he blunted questions about

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documents released by Rep. Jim Leach, Iowa Republican.

Those documents quoted an RTC investigator who said she had been pressured to back off findings critical of the Clintons in her inquiries related to Whitewater Development Corp. and the failed Madison Guaranty Savings and Loan of Little Rock.

Mr. Clinton said Mr. Leach "may be talking about an internal dispute within the RTC from career Republican appointees for all I know."

The president then said: "Keep in mind, until I came here all appointees of the RTC were hired under previous Republican administrations." And, he said, "I think if you look at the actions of the RTC just since I've been president, and you examine the facts that everybody that works there was appointed by a previous Republican administration, the evidence is clear that I have not done that."

Those statements were inaccurate, officials said. Spokesman Steve Katsanos said there were actually zero Republican appointees at the RTC, and that the vast majority of employees were career government workers whose political affiliation could not be a factor in their hiring.

Mr. Seidman, who led the Federal Deposit Insurance Corp. before accepting the RTC post, said, "Somebody must have misinformed the president, because what he said was obviously wrong."

RTC officials said the irony of the recent statements by the president, and by Mr. Gonzalez in defending the president, is that the RTC first was headed by a clearly political appointee when Mr. Altman, appointed by Mr. Clinton as deputy Treasury secretary, became RTC acting director.

Mr. Altman, who is officially giving up the RTC post tomorrow, was chosen by Treasury Secretary Lloyd Bentsen a year ago to replace Mr. Casey.

"Since Altman was at both Treasury and the RTC that seemed like a basic conflict of interest in the first place," said Mr. Seidman. Such a dual appointment gave the White House a way to influence the RTC, an apolitical agency since its founding in February 1989, officials said.

"For example, when Stephanopoulos called Altman about choosing the law firm where Jay Stephens worked, was Altman wearing his Treasury hat, or was he wearing his RTC hat, in which case the contract is clearly improper?" said one official.

Mr. Stephanopoulous confirmed reports that he called Mr. Altman to vehemently complain about the selection of a law firm employing Mr. Stephens, a former U.S. attorney who had headed an investigation into alleged criminal violations by Rep. Dan Rostenkowski, Illinois Democrat.

Before that, Mr. Altman had admitted to a series of meetings with White House officials, including then-Counsel Bernard Nussbaum, at which Whitewater-Madison matters were discussed.

Several RTC officials said that Republicans, who had been lukewarm about creation of the RTC to delve into the savings and loan debacle of the 1980s,

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were content to let it operate on its own.

"The Republican idea was, 'Let's create this monster and stay as far away from it as possible; see no evil, hear no evil, speak no evil,' " said one RTC official.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 30, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 23, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are twenty-four (24) news articles from Nexis, relating to Madison Guaranty, dated March 22-23, 1994.

LEVEL 1 - 1 OF 24 ITEMS

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Chicago Tribune

March 23, 1994 Wednesday, NORTH SPORTS FINAL EDITION

SECTION: EDITORIAL; Pg. 16; ZONE: N

LENGTH: 437 words

HEADLINE: WHITEWATER SPILLS OVER THE DAM

BODY

Yielding at last to the inevitable, most Democrats in the House of Representatives joined the Republicans Tuesday in voting to hold hearings on the so-called Whitewater affair.

While the decision may or may not be governmentally wise, it definitely is politically smart. Resisting hearings had become a bankrupt strategy for the Democrats and for the president on whose behalf they resisted.

Whether Bill and Hillary Rodham Clinton appreciate it or not, acceding to hearings probably was the greatest favor their congressional allies could have done them.

Now, perhaps, the facts of this strange controversy-it certainly doesn't merit the name "scandal"-can be submitted to a candid world.

Equally important from the Clintons' standpoint, perhaps the president and those who support him can begin to look like they have nothing to hide, instead of just saying it.

That certainly isn't how they looked Monday, when Rep. Henry Gonzalez (D-Texas), chairman of the House Banking Committee, abruptly canceled an oversight hearing on the Resolution Trust Corp. that had been scheduled for Thursday.

In a letter that by normal standards of congressional etiquette was exceptionally bitter, Gonzalez told Rep. Jim Leach of Iowa, the ranking Republican on the committee and the most relentless congressional pursuer of Whitewater, that he would not allow him to turn the oversight hearing into a "prosecutorial or judicial adventure" into the Clintons' failed Arkansas land deal and other business affairs.

Leach had made no secret that he intended to inquire into such matters, the basis being that the Clintons' partner in the Whitewater deal was James McDougal, whose Madison Guaranty Savings & Loan went belly up several years ago at a cost to the government of about $60 million. Leach wants to know whether any Madison Guaranty funds went into the land development or, for that matter, into any of Bill Clinton's Arkansas political campaigns.

Gonzalez said he was acting to assure there would be no interference with the

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investigation of the Whitewater special counsel, Robert Fiske. Maybe so. But it looked suspiciously as if he-and the president-had something to hide.

Indeed, it's that suspicious behavior that has made this controversy into the problem that it has become for the administration. One week it's secret White House briefings by the acting head of the RTC. Another week it's the head of the banking committee canceling a hearing so the opposition can't ask questions.

It's time for a full-fledged, wide-open hearing. Open up the windows and let the bad air out.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 2 OF 24 ITEMS

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March 23, 1994 Wednesday, NORTH SPORTS FINAL EDITION

SECTION: NEWS; Pg. 3; ZONE: N

LENGTH: 548 words

HEADLINE: HOUSE HEARINGS ON WHITEWATER APPEAR LIKELY

BYLINE: From Tribune Wires.

DATELINE: WASHINGTON

BODY

Despite Democratic reluctance, a congressional probe of the Whitewater case became a virtual certainty Tuesday as the House joined the Senate in calling for hearings.

The House vote was 408-15 on legislation calling on Democratic and Republican leaders to work out an "appropriate timetable" for hearings without interfering in the work of special counsel Robert Fiske.

While dates and ground rules for hearings remain to be set, the legislation marked a retreat for House Speaker Thomas Foley (D-Wash.), who has been under pressure from Republicans and some Democrats to drop his opposition to hearings.

"While we cannot and should not ignore Whitewater, neither can we allow it to flood the chamber," Majority Leader Richard Gephardt (D-Mo.) said shortly before the vote.

House GOP leader Bob Michel of Illinois pledged hearings "in a very orderly manner." He added, "I don't want to see any kind of circus atmosphere."

Foley announced his decision to submit legislation on hearings at a joint news conference with Michel, after a private meeting of leaders of both parties.

The legislation says no witness should be granted immunity over Fiske's objection, and no hearings are expected in either the House or Senate until after Fiske has concluded the Washington portion of his investigation.

Rep. Jim Leach (R-Iowa), who has been leading the Republican attack on Whitewater in the House, pledged "decency of temper . . . strict adherence to the rules of the House and everything possible to be respectful of operations of the special counsel's office."

The Senate voted 98-0 last week to hold Whitewater hearings, but its leaders have yet to begin any planning.

At the White House, an aide to President Clinton said a presidential news conference to clear the air on Whitewater, perhaps as early as Thursday, was

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under serious consideration.

"The press more than likely won't have access to him (Clinton) next week," the aide said. "The thinking is to get it over with in one open forum this week so it doesn't look like he is trying to avoid the issue next week."

Clinton leaves for Dallas on Friday for the wedding of his half-brother, Roger. He may stay in Dallas through the weekend and then go to California for vacation next week, an aide said.

Elsewhere in Washington, Deputy Treasury Secretary Roger Altman appeared before a grand jury looking into the case. The top overseer of the savings and loan cleanup, he has acknowledged discussing with White House officials procedural details of that cleanup relating to Madison Guaranty, the failed Arkansas thrift involved in the Whitewater land deal.

"I have had an opportunity to provide all the facts for Mr. Fiske's investigation," Altman said as he left the grand jury room. "I'm ready to do the same in any congressional inquiry."

Fiske is using grand juries in Little Rock and Washington to probe a complicated series of transactions that originally covered the Clintons' investment in the Whitewater land venture, then expanded to include Madison Guaranty, and finally, the White House meetings. It also touches on the apparent suicide of Vincent Foster, a friend of the Clintons' from Little Rock who was deputy White House counsel at the time of his death last summer.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 3 OF 24 ITEMS

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March 23, 1994 Wednesday, NORTH SPORTS FINAL EDITION

SECTION: NEWS; Pg. 3; ZONE: N

LENGTH: 589 words

HEADLINE: ACCUSER OF CLINTON PLEADS GUILTY;
ARKANSAN IN FRAUD CASE TO HELP WHITEWATER PROBERS

BYLINE: From Tribune Wires.

DATELINE: LITTLE ROCK, Ark.

BODY

A businessman and former judge who has alleged that President Clinton was involved in a questionable loan pleaded guilty Tuesday to two unrelated fraud charges involving the operation of his federally backed lending company.

David Hale admitted to conspiring to defraud the Small Business Administration and, in a new charge, admitted to falsifying information on a 1986 application to obtain federal funds to lend to economically disadvantaged businesses.

The plea came under an agreement with special counsel Robert Fiske that clears the way for Hale to testify before a grand jury in Little Rock looking into the failure of an Arkansas savings and loan and the Clintons' Whitewater land venture.

Rusty Hardin, Fiske's assistant, told U.S. District Judge Stephen Reasoner that Hale has been working with prosecutors for about two weeks and said the former municipal judge has "extensive knowledge in the areas we are investigating."

Hale has said Clinton, when he was Arkansas governor in 1986, urged him to make a $300,000 loan to a company owned by Susan McDougal, one of the Clintons' business partners in the Whitewater land venture.

Clinton has denied any wrongdoing, and there was no mention of him or Whitewater in the indictments filed Tuesday.

Investigators are trying to determine if some of the money from the loan was improperly diverted to the Whitewater account at a time when the Susan McDougal and her husband, James, as managers of the account, were buying more land.

Hale, who operated Capital Management Services Inc. in Little Rock, has said Clinton first mentioned the loan to him in February 1986.

Hale said he approved the loan to Susan McDougal in April 1986 and about a third of the money eventually ended up in Whitewater's checking accounts. It was

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never paid back.

Hale admitted defrauding the Small Business Administration of $900,000 by falsely stating the amount of private funds invested in Capital Management Services and by disguising bad loans as current or paid.

He also admitted making loans that improperly benefited "himself and various other people." Hale's lawyer, Randy Coleman, said one loan was the $300,000 to Susan McDougal.

Hardin also made a link between Hale's company and Madison Guaranty Savings and Loan, the failed Arkansas thrift owned by James McDougal.

Hardin said that Hale's company got a loan from Madison and used the money to help qualify for SBA funds.

Fiske is trying to determine whether funds from Madison were illegally diverted in the mid-1980s to prominent Arkansans, including the Clintons.

Among the questions Fiske is investigating is whether Hale's company may have been used to move troublesome loans off Madison's books and out of the sight of federal regulators, according to several witnesses who have been subpoenaed by the Fiske.

At Hale's recent pretrial hearing, lawyers and witnesses talked about a potential scheme involving several businesses and "bogus loans" that helped prominent Arkansans.

The beneficiaries were not identified.

Hale's company was backed by the SBA to make loans to entrepreneurs who were "socially and economically disadvantaged." But many beneficiaries were in fact prominent Arkansans.

For instance, Hale's company lent some $550,000 to companies with ties to current Arkansas Gov. Jim Guy Tucker.

Other loan recipients were connected to Madison, such as Susan McDougal and former Madison president Tommy Trantham, who got a $100,000 loan from Hale, records show.

GRAPHIC: PHOTO; PHOTO: Former Judge David Hale is driven under guard from U.S. courthouse in Little Rock, Ark., Tuesday. Reuters photo.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 4 OF 24 ITEMS

The Associated Press

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March 22, 1994, Tuesday, AM cycle

SECTION: Washington Dateline

LENGTH: 1114 words

HEADLINE: House Joins Senate Call for Whitewater Hearings

BYLINE: By DAVID ESPO, Associated Press Writer

DATELINE: WASHINGTON

BODY

Despite Democratic reluctance, a congressional probe of Whitewater became a virtual certainty Tuesday as the House joined the Senate in calling for hearings. Special counsel Robert Fiske won his first guilty plea in the case bedeviling the Clinton administration.

The House vote was 408-15 on legislation calling on Democratic and Republican leaders to work out an "appropriate timetable" for hearings without interfering in Fiske's work.

While dates and ground rules for hearings remain to be set, the legislation marked a retreat for House Speaker Thomas Foley, who has been under pressure from Republicans and some Democrats to drop his opposition to hearings.

"While we cannot and should not ignore Whitewater, neither can we allow it to flood the chamber," Democratic Leader Richard Gephardt of Missouri said shortly before the vote.

House GOP leader Bob Michel pledged hearings "in a very orderly manner." He added, "I don't want to see any kind of circus atmosphere."

The maneuvering came as Deputy Treasury Secretary Roger Altman became the latest administration official to appear before a grand jury in Washington. The top overseer of the savings and loan cleanup, he has acknowledged discussing with White House officials procedural details of that cleanup relating to a failed Arkansas thrift and other institutions.

"I have had an opportunity to provide all the facts for Mr. Fiske's investigation," Altman told reporters as he left the grand jury room. "I'm ready to do the same in any congressional inquiry."

In a letter released Tuesday, Altman said he first mentioned the possibility of recusing himself from matters related to Madison Guaranty, a failed

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Arkansas savings and loan, in a meeting at the White House on Feb. 2. Altman recused himself almost three weeks later, on Feb. 25.

Altman did not explain the recusal issue further in the letter to Sen. Donald Riegle, D-Mich.

The grand jury in the nation's capital is one of two that Fiske is using to probe a complicated series of transactions that originally covered President and Mrs. Clinton's investment in an Arkansas land venture, then expanded to include Madison Guaranty, and finally, the meetings in Washington. It also touches on the apparent suicide of Vincent Foster, a friend of the Clintons' who was deputy White House counsel at the time of his death.

In Little Rock, David Hale, a former Arkansas municipal judge who has alleged Clinton was involved in a questionable loan, pleaded guilty to two fraud charges involving the operation of his federally backed lending company.

Hale admitted conspiring to defraud the Small Business Administration and, in a new charge, admitted to falsifying information on a February 1986 application to obtain federal funds to lend to economically disadvantaged businesses.

Rusty Hardin, Fiske's assistant, told the court that Hale has been working with prosecutors for about two weeks and possesses "extensive knowledge in the areas we are investigating."

Hale has said Clinton, as governor of Arkansas, urged him in 1986 to make a $ 300,000 loan to a company owned by Susan McDougal, one of the Clintons' business partners in the Whitewater land venture.

Clinton steadfastly denies any wrongdoing. On Monday, he angrily dismissed Hale's allegations as "a bunch of bull."

Tuesday's events were the latest turns in a case that began in 1992 as a campaign headache for Clinton, and has since become a nightmare.

So far, Whitewater and its fallout have led to the resignation of White House counsel Bernard Nussbaum and Associate Attorney General Webster Hubbell. Also, Republicans in Congress have been handed a ready-made election-year issue at a time when other issues favor the Democrats: an expanding economy and close congressional cooperation with the White House on domestic legislation.

In another development, Sen. Charles Grassley, R-Iowa, asked Attorney General Janet Reno for an investigation by Fiske into billings of Hubbell's former Little Rock law firm in a case in which it represented the federal government.

Justice Department spokesman Carl Stern said Grassley's "letter will be forwarded to special counsel Fiske for his evaluation and whatever action he deems appropriate." Reno repeatedly has said any matter dealing with Whitewater or Madison would be handled by Fiske.

The Rose Law Firm has been investigating allegations of overbilling and insufficient backup for expense requests. On Friday, the firm asked the Arkansas state bar association to investigate the matter.

White House advisers, working to fashion a response to the Whitewater

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drumbeat, are considering a presidential news conference devoted to the subject, according to aides.

Some senior aides want Clinton to turn over some or all of his Whitewater documents, including tax forms from the 1970s, in conjunction with a news conference or another form of public explanation. But other advisers fear the release of any documents would merely prompt more questions from Republicans and the press.

Foley's acquiescence to negotiate ground rules - after weeks of insisting hearings weren't necessary - marked the latest in a series of retreats by senior Democrats on the issue.

Aides said the first move would likely be to reschedule a hearing on the Resolution Trust Corp. - required semi-annually by law - that was abruptly cancelled by the House Banking Committee on Tuesday. Republicans have invited key Whitewater figures to testify.

Beyond that, the first hearings in the House or Senate are expected to dwell on the contacts between Treasury Department officials and the White House, an area Fiske has said he hopes to investigate conclusively in the next several weeks or months. The probe into the complicated financial transactions in Arkansas is expected to last far longer.

Neither Foley nor Gephardt would flatly commit publicly to hearings, although Gephardt said Democrats would negotiate "in good faith and with due speed" on the subject.

The legislation itself says no witness should be granted immunity over Fiske's objection, and no hearings are expected in either the House or Senate until after Fiske has concluded the Washington portion of his investigation.

"The American people have the right to know the facts," Gephardt said. "Congress has an obligation to provide those facts. We also have an obligation to ensure that our three-branch government does not become a three-ring circus."

Rep. Jim Leach, the senior Republican on the Banking Committee, pledged "decency of temper ... strict adherence to the rules of the House and everything possible to be respectful of operations of the special counsel's office."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 22, 1994

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LEVEL 1 - 5 OF 24 ITEMS

The Associated Press

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March 22, 1994, Tuesday, AM cycle

SECTION: Domestic News

LENGTH: 225 words

HEADLINE: McDougal Selling the Real Whitewater Dirt

BYLINE: By JULIE STEWART, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

Pssst. Hey, you. Want the real dirt on Whitewater?

James McDougal, a former business partner of President and Mrs. Clinton in a failed Arkansas real estate venture, is selling the right to dig up dirt from a three-acre plot of Whitewater land.

"It seems that everybody is trying to dig up their own dirt on Whitewater, so we are offering the public the opportunity to acquire their very own souvenir cubic foot of Whitewater for a minimum donation of $ 19.95," McDougal said in a release Tuesday.

Donation?

"Jim's going use part of the funds, I guess, to defend himself," said Chris Wade, president of Whitewater Marketing. Wade was the real estate agent for the Clintons and McDougal and his former wife, Susan, on the Whitewater land sale.

Wade is leasing the three-acre Lot 24 in Whitewater Estates to McDougal for $ 1 a year for 99 years.

Anyone who buys the dirt will get a "nonpartisan dirt deed" from the Whitewater Development Corp. According to the deed, "the only right that this conveys is to come upon Lot 24 of the above described property and dig up dirt."

McDougal owned the failed Madison Guaranty Savings & Loan in Little Rock. Special counsel Robert Fiske is trying to determine whether funds from Madison were illegally diverted in the mid-1980s to prominent Arkansans, including the Clintons and their land venture.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 22, 1994

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LEVEL 1 - 6 OF 24 ITEMS

The Associated Press

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March 22, 1994, Tuesday, AM cycle

SECTION: Domestic News

LENGTH: 683 words

HEADLINE: Former Judge Pleads Guilty in Deal With Whitewater Prosecutor

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

A former judge pleaded guilty Tuesday to fraudulently applying for federal money for his lending company - a development the Whitewater prosecutor said significantly assists his investigation.

Special counsel Robert Fiske said David L. Hale will now go before a grand jury to elaborate on his earlier accusation that President Clinton encouraged him to make a questionable loan to a Whitewater business partner.

That grand jury is scheduled to be empaneled Wednesday.

"We are significantly better off with Mr. Hale's cooperation than with having to try him as a defendant," Fiske said after Hale avoided trial by pleading guilty to two felony fraud charges in U.S. District Court.

During the proceeding, Fiske's assistant, Rusty Hardin, said Hale has been cooperating with prosecutors for about two weeks and that the former municipal judge has "extensive knowledge in the areas we are investigating."

Hardin said Hale has provided relevant information beyond his public accusation involving Clinton. But both Fiske and Hardin declined to be more specific.

Hale alleged last year that then-Gov. Clinton and Clinton's business partner, James McDougal, urged him in 1986 to make a $ 300,000 government-backed loan to McDougal's wife Susan.

Hale has said that all three men knew Mrs. McDougal was not qualified for the Small Business Administration-backed loan. About one-third of the money went into Whitewater's checking account, regulators say, and the loan was never repaid, according to SBA records.

The McDougals were the Clintons' partners in Whitewater Development Corp. in

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1978-92. The company developed and sold 230 acres in the Arkansas Ozarks. McDougal also ran Madison Guaranty Savings and Loan Association, which failed in 1989.

Fiske is probing the failure of Madison and whether its funds were diverted to Whitewater or to help retire Clinton's 1984 gubernatorial campaign debt.

Clinton, who has denied any wrongdoing in his dealings with McDougal, has dismissed Hale's allegations.

There was no mention of the president during Tuesday's proceeding.

In his plea, Hale acknowledged he fraudulently applied for federal money for his government-backed lending company in February 1986. That's the same month Hale has said previously that Clinton first approached him about the McDougal loan.

Prosecutors also drew a link between Hale and Madison, saying that Hale used loan proceeds from the S&L to inflate the value of his company in order to qualify for more federal funding.

Hale did not talk to reporters after his guilty plea. He was whisked from the courthouse by federal agents.

The two charges replaced a previous four-count indictment, absorbing those counts into a single conspiracy charge and creating a new count alleging mail fraud, which a Fiske aide said involved the loan from McDougal's S&L.

Hale's company was backed by the SBA to make loans to entrepreneurs who were "socially and economically disadvantaged." But many beneficiaries were in fact prominent Arkansans.

For instance, Hale's company loaned some $ 550,000 to companies with ties to current Arkansas Gov. Jim Guy Tucker, who said he was unaware of the SBA loan eligibility restrictions.

Other loan recipients were connected to Madison, such as Mrs. McDougal and former Madison president Tommy Trantham, who got a $ 100,000 loan from Hale, records show.

McDougal said in a recent interview that money flowed the other way as well, with his S&L loaning some $ 900,000 to Hale's company. Check records obtained by the AP confirm Hale made payments on at least one loan at the S&L.

In yet another signal that Fiske's probe is likely to last for months, the prosecutor asked that Hale's sentencing be postponed for at least six months.

U.S. District Court Judge Stephen M. Reasoner said he would defer sentencing for about 120 days and said if Fiske needed a longer deferment they could talk about it then.

The former judge could face a maximum penalty of 10 years in prison and a $ 500,000 fine, although it is expected that his cooperation could significantly reduce that sentence.

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LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 22, 1994

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LEVEL 1 - 7 OF 24 ITEMS

The Associated Press

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March 22, 1994, Tuesday, PM cycle

SECTION: Domestic News

LENGTH: 806 words

HEADLINE: Hale Pleads Guilty; Opens New Chapter in Whitewater Probe

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

A former judge who has alleged President Clinton was involved in a questionable loan pleaded guilty today to two fraud charges involving the operation of his federally backed lending company.

David L. Hale admitted to conspiring to defraud the Small Business Administration and, in a new charge, admitted to falsifying information on a February 1986 application to obtain federal funds to loan to economically disadvantaged businesses.

The plea came under an agreement with special prosecutor Robert Fiske that now clears the way for Hale to testify before a grand jury looking into the failure of an Arkansas savings and loan and the Clintons' Whitewater land venture.

Rusty Hardin, Fiske's assistant, told the court that Hale has been working with prosecutors for about two weeks and said the former municipal judge has "extensive knowledge in the areas we are investigating."

Hale has said Clinton, when he was Arkansas governor in 1986, urged him to make a $ 300,000 loan to a company owned by Susan McDougal, one of the Clintons' business partners in the Whitewater land venture.

Hale has said Clinton first mentioned the loan to him in February 1986, about the same time the new charge accuses Hale of filing the false application to get more SBA funds for his company.

Hale said he approved the loan to Mrs. McDougal in April 1986 and about a third of the money eventually ended up in Whitewater's checking accounts. It was never paid back.

There was no mention of Clinton or Whitewater in the superseding indictment filed today. Clinton has steadfastly denied any wrongdoing. On Monday, he

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angrily dismissed Hale's allegations as "a bunch of bull."
Outside the courthouse, Fiske said the plea agreement paves the way to investigate Hale's allegation.

"We are significantly better off with Mr. Hale's cooperation than with having to try him as a defendant," he said, declining to describe anything that Hale has already told prosecutors.

Hale, 53, sporting a grey suit, appeared somber and answered in a hushed voice as U.S. District Court Judge Stephen M. Reasoner questioned him about the plea bargain.

Hale still faces a maximum penalty of 10 years in prison and $ 500,000 in fines, although his cooperation with Fiske is expected to be considered at his sentencing.

Hale was originally charged with four felonies accusing him of conspiring to defraud the SBA and lying to federal officials.

Under the plea agreement, those charges were consolidated into a single count of conspiracy and a new charge of mail fraud was added.

Hardin told the court that the evidence shows Hale used his lending company to benefit himself and other people and that he made a false statement to the SBA to qualify for federal funding.

In addition, the prosecutor made a link between Hale's company the failed Arkansas savings and loan owned by James McDougal, the Clintons' other partner in Whitewater and the husband of the woman who got the $ 300,000 loan from Hale.

Hardin said Hale's company obtained a loan from Madison Guaranty Savings and Loan and used the proceeds to help qualify for the SBA financing.

Hale is now expected to testify before a grand jury to elaborate on his earlier allegation about Clinton - an accusation that Fiske has said in court papers is "fundamental" to the investigation.

Fiske is trying to determine whether funds from Madison were illegally diverted in the mid-1980s to prominent Arkansans, including the Clintons and their land venture.

Documents obtained by The Associated Press show that people connected with Madison and Hale's company had numerous dealings, most commonly in the form of loans that flowed from one to the other.

Among the questions Fiske is investigating is whether Hale's company may have been used to move troublesome loans off the books at Madison and out of the sight of federal regulators, according to several witnesses who have been subpoenaed by the prosecutor.

At Hale's recent pretrial hearing, lawyers and witnesses talked about a potential scheme involving several businesses and "bogus loans" that helped prominent Arkansans.

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The beneficiaries were not identified.

Hale's company was backed by the SBA to make loans to entrepreneurs who were "socially and economically disadvantaged." But many beneficiaries were in fact prominent Arkansans.

For instance, Hale's company loaned some $ 550,000 to companies with ties to current Arkansas Gov. Jim Guy Tucker.

Other loan recipients were connected to Madison, such as Mrs. McDougal and former Madison president Tommy Trantham, who got a $ 100,000 loan from Hale, records show.

McDougal said in a recent interview that money flowed the other way as well, with his S&L loaning some $ 900,000 to Hale's company. Check records obtained by the AP confirm Hale made payments on loans at the S&L.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 22, 1994

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LEVEL 1 - 8 OF 24 ITEMS

The Associated Press

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March 22, 1994, Tuesday, PM cycle

SECTION: Washington Dateline

LENGTH: 862 words

HEADLINE: House Democrats Agree to Discuss Timetable for Whitewater Hearings

BYLINE: By LARRY MARGASAK, Associated Press Writer

DATELINE: WASHINGTON

BODY

Top House Democrats agreed to discuss "an appropriate timetable" for Whitewater hearings today as pressure mounted in Congress to delve into an affair that has become a political nightmare for the Clinton administration.

House Speaker Thomas Foley said he and top Republicans would meet in the near future to discuss the details involved in hearings, which Democrats have long resisted.

House GOP Leader Bob Michel said he was "satisfied for the moment" with the agreement, which followed a meeting of top Democratic and Republican leaders.

The entire House was expected to approve a resolution later in the day on the topic.

Foley said the legislation the House would consider was a near duplicate of a measure approved 98-0 in the Senate. That measure said the leadership would "meet and determine the appropriate timetable" for Whitewater hearings but set no date.

Foley and Michel made their comments at a joint news conference following a private meeting involving several top leaders of both parties.

Foley stressed that no hearings would interfere with the work of Robert Fiske, the special counsel looking into Whitewater, and that "no immunity will be granted to any witness without the approval of the special counsel."

Michel pledged any hearings would be conducted without "a circus-like atmosphere," but said Congress had a legitimate right to look into the affair, which covers a complicated maze of financial transactions in Arkansas that predate Clinton's term in the White House.

The expected House action would mark the latest step in a burgeoning

controversy that has led to the subpoena of several top White House aides, who have appeared before a grand jury looking into meetings in which Treasury Department officials briefed administration officials about a probe of a now-defunct Arkansas savings and loan.

Fiske has opened offices in the capital and in Little Rock, Ark., where today he obtained the first guilty plea of his probe.

David L. Hale, a former judge who has alleged Clinton was involved in a questionable loan, pleaded guilty to two fraud charges involving the operation of his federally backed lending company.

Hale's plea clears the way for him to testify before a grand jury looking into the failure of an Arkansas savings and loan and the Clintons' Whitewater land venture.

Foley insisted that he was not making a "concession that hearings are going to take place," and stressed it was possible he and Michel would fail to reach agreement on terms.

But given the overwhelming Senate vote, and consistent pressure from Republicans, some type of congressional probe into Whitewater appears inevitable.

Clinton has made known his displeasure over that possibility, noting at one point that Congress conducted a costly probe in the 19th century into a $ 40 mirror.

Foley and Michel's meeting came the day after the chairman of the House Banking Committee, Rep. Henry Gonzalez of Texas, called for "full hearings" into the subject.

Gonzalez also cancelled a hearing to review operations of the Resolution Trust Corp., which is responsible for cleaning up failed savings and loans, saying Republicans sought to turn it into "a witch hunt in a circus ring."

But Gonzalez wrote Foley "I recommend that the House leadership draft and endorse a resolution calling for full hearings on the so-called Whitewater affair."

Gonzalez, who often acts independently of the Democratic leadership, added: "I have never seen a more malicious campaign of character assassination than this. It is, I believe, time for Democrats to use the truth, the weapon Republicans fear most."

The senior Republican on the committee, Rep. Jim Leach, has accumulated piles of documents on Madison Guaranty Savings and Loan, the failed Arkansas S&L that may have sent depositors' money to President Clinton's Whitewater real estate venture and to pay his gubernatorial campaign debts.

Leach testily criticized the postponement, writing Gonzalez, "Full public disclosure is the only way that this administration can put this issue behind them."

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"The majority's action in avoiding statutorily mandated RTC hearings raises the question of whether the majority party has the spine to conduct credible oversight of an administration of the same political party," Leach wrote.

Leach told reporters he may give a floor speech this week to release "some new information." He added, "The minority has in its hands material that is somewhat embarrassing to the president. It's not devastating."

Leach said Gonzalez' suggestion for broader Whitewater hearings was "worthy of consideration," but "a lot will depend on the commitments that are made" by Democrats.

Gonzalez, explaining the postponement of Thursday's hearing, wrote Leach that "you obviously are premeditatedly intending to launch into a prosecutorial or judicial adventure."

"In view of your obdurate and obstinate refusal to honor the special counsel's request, and in addition, your threats to disrupt or in your words create a 'donnybrook,' I have no recourse but to postpone the hearing," Gonzalez said.

Leach said Foley "called me to apologize for the tone of the letter."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 22, 1994

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LEVEL 1 - 9 OF 24 ITEMS

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The Houston Chronicle

March 22, 1994, Tuesday, 2 STAR Edition

SECTION: A; Pg. 2

LENGTH: 796 words

HEADLINE: Gonzalez reverses, urges full hearings on Whitewater issue

BYLINE: NANCY MATHIS, Houston Chronicle Washington Bureau; Staff

DATELINE: WASHINGTON

BODY

WASHINGTON -- The chairman of the House banking committee reversed course Monday and urged congressional leaders to hold full hearings on the Whitewater affair that has raised ethical questions about President Clinton and wife Hillary.

Texas Rep. Henry B. Gonzalez, D-San Antonio, wrote a letter to House Speaker Thomas Foley, D-Wash., announcing he was canceling a Thursday committee hearing on thrifts because it threatened to become engulfed by the Whitewater issue.

Instead, Gonzalez suggested the House Democratic leadership draft and endorse a resolution calling for full hearings on Whitewater, the unprofitable Arkansas real estate venture owned by the Clintons and Susan and James McDougal. McDougal owned Madison Guaranty Savings and Loan, which also failed.

""For months, the Republican minority has made a variety of accusations against the president and Mrs.Clinton, using an array of half-truths, old rumors, half-baked conspiracy theories and outright lies,'' Gonzalez wrote in the letter. ""It is, I believe, time for Democrats to use the truth, the weapon Republicans fear most. ''

Gonzalez, who had adamantly opposed hearings while a special counsel was investigating the case, suggested Foley consider the appointment of a select committee that would have the authority to investigate all aspects of the Whitewater/Madison controversy.

Foley suggested the subject of hearings will be on the agenda when the bipartisan leadership meets today. ""We will explore with our colleagues on the Republican side conditions on which some hearings might take place,'' Foley said after Gonzalez's statement.

President Clinton, in Florida, called the continuing Whitewater controversy a ""bunch of bull'' Monday when he was asked to comment on a former Arkansas judge who has pleaded guilty to

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federal fraud charges and has accused Clinton of pressuring him into making a loan to a business associate.

""This is all a bunch of bull,'' said an irritated Clinton, adding that he was losing patience with the persistent questioning of his investments in the Whitewater land development company and its connections to a failed Arkansas savings and loan.

""My faith that the truth will win out has been sorely tested in the last few weeks,'' Clinton said after delivering a health care reform speech.

""But it's still there. Why don't you let the special counsel do his job? '' he asked reporters, referring to the federal probe of the Whitewater affair being directed by special counsel Robert Fiske.

Clinton was commenting on reports that David Hale, a former Arkansas judge who says Clinton pressured him into making a $ 300,000 loan to help the Whitewater company and the now defunct Madison Guaranty Savings & Loan, plans to testify before a federal grand jury looking at the matter.

Rep. Jim Leach, R-Iowa, the ranking GOP member of the House Banking, Finance and Foreign Affairs Committee, criticized Gonzalez's decision to postpone the hearing.

Leach had prepared a list of 40 witnesses related to Whitewater and Madison to testify at the Thursday hearing. He planned to use a statutory requirement that the committee hold twice yearly meetings on the status of the Resolution Trust Corp. to bring the issue up Thursday.

""The majority's action in avoiding statutorily mandated RTC hearings raises the question of whether the majority party has the spine to conduct credible oversight of an administration of the same political party,'' Leach said. ""Full public disclosure is the only way that this administration can put this issue behind them. ''

Gonzalez made the move as Republicans threatened to force a vote in the House today on the prospect of hearings. The Senate voted unanimously last week to hold hearings.

For weeks, Gonzalez maintained a congressional hearing by his committee would be improper because Fiske had asked Congress to refrain from investigating the issue until he completed his probe.

Fiske is looking into allegations that Madison funds possibly benefited the Clintons by being diverted to Whitewater and to Clinton's gubernatorial campaign. He also is probing the July suicide of Vince Foster, deputy White House counsel.

Fiske is investigating a series of meetings between White House and Treasury Department officials who discussed the Madison

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The Houston Chronicle, March 22, 1994

referral by the Resolution Trust Corp.to the Justice Department in October. There have been no allegations of criminal wrongdoing by the Clintons.

But in letters to Leach and Foley, the tart-tongued Gonzalez wrote that Fiske's requests for restraint ""have only drawn contempt from the Republicans whose political aims are frustrated by anything less than a witch hunt in a circus ring. ''

GRAPHIC: Mug: Henry B. Gonzalez

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 10 OF 24 ITEMS

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March 22, 1994, Tuesday, Home Edition

SECTION: Part A; Page 14; Column 1; National Desk

LENGTH: 669 words

HEADLINE: CLINTON TREASURY AIDE IN EARLY BRIEFING ON FAILED S&L;
ETHICS: POLITICAL APPOINTEE ALTMAN WAS TOLD ARKANSAS THRIFT CASE WOULD GO TO JUSTICE DEPT. HE ALSO IS A REGULATOR, RAISING CONFLICT PROBLEM.

BYLINE: By JAMES RISEN, TIMES STAFF WRITER

DATELINE: WASHINGTON

BODY

Deputy Treasury Secretary Roger Altman was told in advance by a top federal regulator that the investigation into the failed Madison Guaranty Savings & Loan would be referred to the Justice Department for possible prosecution.

There is no indication that Altman tipped off the White House about the looming criminal referral. The session predates Treasury general counsel Jean E. Hanson's controversial Sept. 29 meeting with then-White House Counsel Bernard Nussbaum, in which she alerted the White House to the pending referral from the Resolution Trust Corp.

Altman received the briefing from William Roelle, a top official of the RTC, and Hanson, senior Treasury officials say. The two told Altman that a criminal referral in the Madison case "was coming to the surface" within the RTC. The RTC asked the Justice Department to begin a criminal probe on Oct. 8.

The Altman session is the earliest known briefing for a top Administration official on the Madison case, which is part of special counsel Robert B. Fiske Jr.'s investigation into President Clinton and Hillary Rodham Clinton's Whitewater Development Corp. real estate investment in Arkansas.

But the briefing highlights the possible conflict between Altman's dual roles as acting chief executive officer of the RTC, an independent regulatory agency, and as a Clinton political appointee at the Treasury Department. Altman is a college classmate of Clinton and campaign adviser to him in 1992.

Altman described the briefing as a five-minute conversation that occurred during a meeting called to discuss the Treasury's investigation of the Bureau of Alcohol Tobacco and Firearm's handling of the Branch Davidian tragedy in Waco, Tex. He said Hanson took the initiative to tell him that the RTC was about to issue its criminal referral in the Madison case.

The officials stress that the substance of the criminal case was not discussed with Altman. In Hanson's meeting with Nussbaum, she told him that the Clintons would be mentioned as possible beneficiaries of illegal actions related

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to the Madison case.

Altman has been under fire from Republicans in Congress for a meeting he held with Nussbaum last month to discuss the Madison case and has recused himself from any further involvement.

He also has effectively ended all day-to-day responsibility for the RTC and plans to step down as the RTC's acting chief executive on March 30.

Altman stressed in an interview with The Times that he told the RTC to handle the case of Madison Guaranty just as it would any other criminal matter, and that he in no way intervened.

Steve Katsanos, a spokesman for the RTC, says that the briefing was "routine" because of Altman's role as acting head of the RTC.

Altman said he did not know Hanson planned to tell the White House about the case.

Hanson's decision to brief the White House has been questioned by congressional Republicans who say it shows the case has been subject to high-level political interference.

Her meeting with Nussbaum was the first of three Whitewater-related sessions between Treasury and White House officials that are also now the subject of the Fiske's investigation. Even Treasury officials concede that Hanson's meeting with Nussbaum is the most troubling of the three meetings. Hanson was unavailable for comment.

Altman, Hanson and Treasury chief of staff Josh Steiner are all scheduled to appear before the Whitewater grand jury this week to testify about the meetings, sources said.

News of the earlier meeting comes just as Altman and Treasury are being inundated with questions about Whitewater. The controversy has fueled rumors, repeatedly denied by Treasury officials, that both Treasury Secretary Lloyd Bentsen and Altman were on the verge of resigning.

Yet Altman insists that he won't let the cloud of suspicion now hanging over him deter him from keeping up with his work. And he says he will not resign, telling people that they will have to "carry him out feet first."

* RELATED STORY: A16

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 11 OF 24 ITEMS

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Los Angeles Times

March 22, 1994, Tuesday, Home Edition

SECTION: Part A; Page 16; Column 1; National Desk

LENGTH: 830 words

HEADLINE: GOP BALKS AS BANK HEARING IS CANCELED;
POLITICS: REPUBLICANS HAD PLANNED TO RAISE THE WHITEWATER ISSUE. GONZALEZ INSTEAD CALLS FOR A SELECT PANEL TO PROBE THE CONTROVERSIAL MATTER.

BYLINE: By MICHAEL ROSS, TIMES STAFF WRITER

DATELINE: WASHINGTON

BODY

Escalating the partisan confrontation over the Whitewater controversy, the chairman of the House Banking, Finance and Urban Affairs Committee Monday abruptly canceled a hearing in which Republican lawmakers had planned to question President Clinton's connections to a failed Arkansas savings and loan.

But in a surprising twist that appeared to catch Democratic leaders off guard, Rep. Henry B. Gonzalez (D-Tex.) also called for the creation of a select committee to conduct full hearings and to investigate "every aspect" of the tangled Whitewater events.

Some equally surprised Republicans saw Gonzalez's call for special hearings as a tactic to delay a congressional review -- the first phase of which would have been a hearing Thursday. Yet Democratic sources said that the move is likely to reinforce the leadership's reluctant consensus that Congress sooner or later must conduct its own investigation of allegations that depositors' funds from the failed Madison Guaranty Savings & Loan were diverted to a real estate venture in which the President and First Lady Hillary Rodham Clinton had an interest.

House leaders had opposed congressional hearings on the grounds that they would interfere with the criminal investigation now being conducted by special counsel Robert B. Fiske Jr. But House Speaker Thomas S. Foley (D-Wash.) told reporters Monday evening that House Democrats hope to reach a compromise with their GOP counterparts on a formula for the hearings.

Foley added that he would be meeting with Minority Leader Robert H. Michel (R-Ill.) today to "work out the conditions on which some hearings might take place" in the near future, provided they do not interfere "with the needs of the special counsel."

A similar compromise already has been negotiated in the Senate, which voted unanimously last week to recommend that senators take their own look at Whitewater.

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Los Angeles Times, March 22, 1994

No date or forum for the hearings were set but the Senate leadership also will meet this week in an effort to work out details.

Whitewater, meanwhile, seemed to be putting more of a strain on the President during a visit to a seniors' center in Deerfield Beach, Fla. Responding to a reporter's inquiry about Whitewater, Clinton said: "My faith that the truth will win out has been sorely tested in the last few weeks. But it's still there."

He dismissed a question about whether he is worried that the plea bargain struck by David Hale, an Arkansas banker and former Little Rock municipal judge, would prompt a new round of disclosures about his and his wife's involvement with the Whitewater real estate project and its ties to Madison.

"This is all a bunch of bull," Clinton said, shaking his head and appearing frustrated about the Whitewater questions that constantly seem to hound him. "Why don't you guys let the special counsel do his job?"

Until this week, that was also the question that Democrats on Capitol Hill asked when pressed by their GOP counterparts to agree to Whitewater hearings.

But their concern that such hearings would turn into a political circus, giving the Republicans a platform from which to attack the President, has gradually been overtaken by a conviction that Whitewater could end up overshadowing Clinton's legislative agenda, threatening health care and other initiatives, unless the Democrats deal with it.

As White House aides are subpoenaed to appear before a federal grand jury, concern is also growing among Democrats that a continuing refusal to hear Whitewater testimony will be perceived as a cover-up.

"We all realize that hearings are going to happen. It's just a question now of how we are going to do them and when," said a senior Democratic aide.

Gonzalez sent Foley a letter Monday saying it is "time for Democrats to use the truth, the weapon Republicans fear most" in a "full public airing of every aspect of this matter."

The Republicans for months have been "using an array of half-truths, old-rumors, half-baked conspiracy theories and outright lies" to malign the President and Mrs. Clinton and public hearings are the best way "to expose the Republican witch hunt for what it is," Gonzalez said.

However, in a move that immediately provoked more GOP allegations of stonewalling, Gonzalez also canceled the Banking Committee hearing scheduled for Thursday, when Republicans on the panel had hoped to question Clinton Administration officials and others.

Gonzalez's tirade drew a swift response from Rep. Jim Leach of Iowa, the ranking Republican on the panel, who said that the postponement raises the question of whether "the majority party has the spine to conduct credible oversight of an Administration of the same political party."

Leach added that information about the scandal that he had planned to unveil at the hearing may now be disclosed in a floor speech that he said he would

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"probably give sometime this week."

Times staff writer John M. Broder contributed to this story from Deerfield Beach, Fla.

GRAPHIC: Photo, COLOR, Rep. Henry B. Gonzalez Associated Press

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 12 OF 24 ITEMS

Copyright 1994 The New York Times Company
The New York Times

March 22, 1994, Tuesday, Late Edition - Final

SECTION: Section A; Page 1; Column 6; National Desk

LENGTH: 1197 words

HEADLINE: SENIOR DEMOCRATS BACK FULL HEARING INTO WHITEWATER

BYLINE: By MICHAEL WINES, Special to The New York Times

DATELINE: WASHINGTON, March 21

BODY

In a day of curious political handsprings over the Whitewater matter, senior House Democrats abruptly canceled what was to be Congress's first serious hearing on the affair. But then realizing that they appeared to be concealing something, they hastily called for full-scale hearings as early as next month.

As a result, the Democrats, who planned to permit only incidental queries about the affair at a routine hearing on Thursday on the savings-and-loan bailout, now seem to have committed themselves to a far broader hearing with testimony that is potentially more damaging.

If the House leaders endorse the idea, which they seem likely to do on Tuesday, both the House and the Senate would conduct public inquiries into the failed real estate investment of President Clinton and his wife, Hillary, in Arkansas.

Amazed Republicans

The Democrats' public fumbling today first amazed and then amused Republicans, who noted that they had long been demanding that the Clintons lay bare the details of the Whitewater Development Company, a 200-acre vacation home development in Arkansas in which the couple invested in the mid-1980's with a partner, James B. McDougal.

They especially question whether the savings institution owned by Mr. McDougal, Madison Guaranty Savings and Loan Association, put money into the development and whether any money subsequently wound up in campaign accounts when Mr. Clinton was running for governor of Arkansas.

But any hearings would probably focus on a more recent question: whether the Administration interfered with inquiries into Madison or Whitewater by the Treasury Department or other Federal agencies, as some Republicans have asserted.

Blistering Letter

Representative Jim Leach, Republican of Iowa, said the Democrats' call for

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hearings was "a very interesting development." Mr. Leach had planned to delve into the Whitewater issue on Thursday at a routine oversight hearing of the House Banking Committee.

Those plans were dashed early today by the Democratic chairman of the Banking Committee, Henry B. Gonzalez of Texas, who sent Mr. Leach a blistering letter in which he postponed the hearing.

Mr. Gonzalez addressed Mr. Leach in the letter only as "Dear Colleague," and called him "obstinate," "obdurate," "in willful disregard" of proper behavior and "premeditatedly" plotting to turn the Thursday hearing into a "judicial adventure" aimed at Mr. Clinton.

Tonight, Mr. Leach said he had received an apology in a meeting this afternoon for the letter's "temperament and tone" from Speaker Thomas S. Foley.

Within hours after Mr. Gonzalez's letter became public, other House Democrats were publicly urging their leadership to hold a full-blown hearing on parts of the Whitewater affair as soon as the special prosecutor in the matter, Robert B. Fiske Jr., completed the Washington portion of his criminal inquiry. That could occur within a month.

Mr. Foley, who until today had rejected a hearing, is to meet with Republican House leaders on Tuesday, and Democrats were predicting tonight that the two sides would soon agree to just that. Only last week, the Senate voted unanimously to hold a similar hearing into the involvement of Federal agencies in Whitewater, probably after Mr. Fiske wraps up his work in Washington.

"I think there ought to be, and believe there will be full hearings, extensive hearings, and shortly," said Representative Charles E. Schumer, a Brooklyn Democrat on the Banking Committee.

Another Democrat on the committee, Representative Barney Frank of Massachusetts, said: "The Republicans have succeeded in getting circulation to the charges that something was done in the White House.

"There's nothing to that, but it would be useful to have some hearings on that as long as they don't interfere with the special counsel's work."

'A Forum of Broad Reach'

Mr. Gonzalez, the abrasive and fiercely independent 78-year-old chairman, went well beyond that. In a letter sent today to Mr. Foley, he proposed House hearings on Whitewater "in a forum of broad reach -- possibly a select committee -- that can explore all the charges that have been brought."

Mr. Gonzalez cast the request as a means of exposing how baseless were Republican attacks on the President. But among most Democrats, a select committee of specially chosen lawmakers recalls identical panels that explored the Watergate and Iran-contra scandals, to ruinous effect on the Administrations at the time.

The two-step in the House was the low point of an unpleasant day for Mr. Clinton, who lashed out early at reports that a former Arkansas judge, David

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Hale, was about to provide the special prosecutor with damaging testimony about Mr. Clinton.

Mr. Hale obtained a Federal small-business loan in the 1980's and later lent money to Mr. McDougal's wife, Susan, who was also a partner in the Whitewater Development Company. Prosecutors are trying to discover whether Mr. Hale obtained the Federal loan under false pretenses and then diverted the money through the partner to Whitewater.

Government lawyers confirmed today that Mr. Hale planned to enter a guilty plea on Tuesday as part of an agreement with Mr. Fiske, the special prosecutor.

'McLarty Hires a Lawyer

At the White House, Thomas F. McLarty 3d, the chief of staff, said a new Whitewater control team, headed by John Podesta, the staff secretary, had been assembled.

Mr. McLarty added that he had hired a Washington lawyer, William Taylor, to represent him in the Whitewater inquiry.

"In these types of matters, prudence dictates having an attorney," said Mr. McLarty, who has not been subpoenaed by the grand jury that Mr. Fiske commands.

Still, Mr. Gonzelez's attack on Mr. Leach and the subsequent scrambling by House Democrats far overshadowed all that.

In truth, Democrats have been fearful for weeks that the planned hearing on Thursday was shaping up as a public-relations disaster for themselves and for Mr. Clinton.

Mr. Leach has pledged to call dozens of witnesses to testify about the role of Federal agencies in overseeing Madison Guaranty. Mr. Gonzalez, a man known for his iron will, had pledged to gavel Mr. Leach down every time he ventured into areas under Mr. Fiske's examination, something Democrats felt would look like an effort to conceal wrongdoing.

'Terrible Spectacle'

"It would have been a terrible spectacle," said one Democrat, who spoke on condition of anonymity.

Last week, in a caucus of House Democrats, lawmakers began quietly urging Mr. Gonzelez to delay the hearing until they could work out an agreement with Republicans to hold separate Whitewater hearings. But the Democrats were taken aback today by Mr. Gonzalez's ferocious letter.

Mr. Leach said tonight that he would not object to delaying House hearings until after Mr. Fiske completed the Washington portion of his inquiry. But he said he would not agree to the delay until Republicans were guaranteed that a full airing of the Whitewater issue would be held promptly.

"My only desire is to have credible, full disclosure by an appropriate time," he said, adding: "I'm not quite as hard-edged as I appear."

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GRAPHIC: Photo: Senior Democrats switched direction yesterday and called for hearings into Whitewater, astonishing Republicans like Representative Jim Leach of Iowa, center. Mr. Leach watched Representative Lee H. Hamilton, right, an Indiana Democrat who also backs sessions on the matter, greet a House aide. (Stephen Crowley/The New York Times) (pg. B6)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 22, 1994

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LEVEL 1 - 13 OF 24 ITEMS

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USA TODAY

March 22, 1994, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 387 words

HEADLINE: High court hears S&L case

BYLINE: Tony Mauro

BODY

Supreme Court justices listened attentively Monday to the story of a prominent law firm, its dispute with federal bank regulators, and a failed savings and loan.

But the words Whitewater, Madison Guaranty and Rose Law Firm were never uttered.

The justices were focusing instead on a California dispute that highlights the trouble that dozens of lawyers and accounting firms, including Hillary Rodham Clinton's former Little Rock law firm, got into during the savings and loan crisis of the last decade.

Deputy Solicitor General Paul Bender told the justices that the Federal Deposit Insurance Corporation has "more than $ 1 billion in claims" pending against law firms for their roles in the S&L crisis.

Steve France of Bank Lawyer Liability newsletter estimates top law firms have paid $ 400 million in settlements.

Under pressure from Senate Republicans, the FDIC has reopened its investigation of whether Rose Law Firm had a conflict of interest in its dealings with Madison Guaranty and the FDIC. In 1988, Rose shared in paying a $ 3 million settlement to federal agencies for a conflict of interest in another S&L case.

The case before the high court focuses not on conflicts of interest but on the duty of lawyers to determine and disclose whether clients are acting fraudulently.

The FDIC says the prominent Los Angeles firm of O'Melveny & Myers failed to perform that duty in preparing documents for prospective investors in real estate securities offered by the American Diversified Savings Bank of Costa Mesa, Calif., in 1985.

The law firm did not learn or reveal that the bank was fraudulently concealing lack of funds. The FDIC later sued the law firm for malpractice.

Rex Lee, lawyer for O'Melveny, said "none of the O'Melveny lawyers was aware

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of any of the illegal acts" and should not be held to a federal standard of probing their clients.

Lawyers and accountants say they are being targeted as scapegoats for S&L failures.

"How much responsibility does a lawyer have to see if his or her client is a crook?" asks lawyer Arthur Leibold Jr., who wrote a brief in the case for the American Bar Association.

If O'Melveny loses, Leibold says, lawyers will shy away from S&Ls and "a whole set of clients will go unrepresented."

A decision in the high court case is expected by summer.

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LEVEL 1 - 14 OF 24 ITEMS

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USA TODAY

March 22, 1994, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 588 words

HEADLINE: Ex-Arkansas judge has murky past

BYLINE: Dennis Cauchon

DATELINE: LITTLE ROCK

BODY

Despite his job as judge, David Hale is not the squeaky-clean star witness prosecutors look for.

Lawyers, journalists and others here say Hale has been associated with shady business deals, small-time politics and questionable legal decisions.

Should Hale's charges that Clinton, when governor, urged him to make illegal loans come to court, Hale's past could be used to question his credibility.

"David Hale has been perceived for several years as a disreputable character," says Max Brantley of the Arkansas Times.

Randy Coleman, Hale's lawyer, said Hale is a respected member of the community but declined comment on claims made against Hale: "David's done a lot of good."

Born of humble beginnings in Yell County, Ark., Hale, 53, lives in a big house with a swimming pool and owns a Mercedes-Benz sports car.

At the University of Arkansas, he was the head of Young Democrats, where he met James McDougal, another rising political star.

"Hale is a con and a cheat," McDougal, who also has been accused of fraud by Hale, said Monday on Larry King Live.

After law school, Hale worked in insurance and was active in church, politics and civic groups. He was national president of the Jaycees in 1974-75.

Hale was appointed municipal judge, handling traffic violations and misdemeanors, in 1979. He won re-election until resigning the $ 59,600-a-year job after his 1993 indictment on federal fraud charges.

"David Hale was . . . viewed, at least by defense lawyers, as a little more than an extension of the sheriff's office," says Jeff Rosenzweig, former president of the Arkansas Criminal Defense Lawyers Association.

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That's an important point, according to some here who saw Hale as an opportunist trying to please Sheriff Tommy Robinson, a political rising star later elected to Congress.

Rosenzweig, a public defender in Hale's court, said he saw sentences already written before cases were tried.

In 1982, Hale held an unusual nine-day hearing on whether lawyer Bill McArthur should be charged in the murder of his wife. Sheriff Robinson was public about his belief that McArthur was guilty.

The prosecutor refused to charge McArthur. So did a second special prosecutor and a grand jury.

In 1991, Hale had court clerk Cathy Butler arrested, the day before she was to testify against him in a judicial misconduct hearing.

In that case, Hale was accused of having an improper discussion with a lawyer, then reversing a decision against the lawyer's client.

"He had her arrested on felony (ticket-fixing) charges," said Dale Adams, her attorney.

The charges were dismissed and she was reinstated. The ethics complaint against Hale was dropped.

Hale's business dealing also raise questions.

In 1979, he created the only Small Business Administration-licensed firm in Arkansas that could lend money under a federal program for minorities.

But many loans went to political friends - white and well off, including $ 65,000 to former Clinton aide Stephen Smith and $ 250,000 to current Gov. Jim Guy Tucker.

Madison Guaranty Savings & Loan, owned by McDougal, loaned Hale $ 300,000 at about the same time Hale made a $ 300,000 SBA loan to McDougal's wife, Susan. No loan payments were made.

A General Accounting Office reports says Hale set up several shell companies he secretly controlled, causing losses of $ 3.4 million in SBA funds.

In 1982, said the GAO, Hale's company made 10 loans, all "to Caucasians, many with college degrees, some earning in excess of $ 40,000."
Hearings canceled, 1A

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LEVEL 1 - 15 OF 24 ITEMS

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USA TODAY

March 22, 1994, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 424 words

HEADLINE: Democrats pulling rank

BYLINE: Jessica Lee

BODY

House Democrats are giving Republicans a harsh lesson in democracy: Those who have the power make the rules.

Republicans are furiously trying to find ways to grill Clinton administration officials on the Whitewater land deal, the way Democrats summoned Reagan and Bush administration officials more than 25 times in 12 years of GOP rule.

Almost singlehandedly, Rep. Henry Gonzalez, D-Texas, chairman of the House Banking Committee, probed into fraudulent management of Denver-based Silverado Savings and Loan. Finally in 1990, Silverado board members, including President Bush's son Neil, were hauled into court.

Gonzalez used that same power Monday to derail a GOP locomotive rushing to Congress' first official examination of Whitewater and the failure of Madison Guaranty Savings & Loan of Arkansas.

Iowa Rep. Jim Leach, ranking Republican on the Banking Committee, took a page from Gonzalez's playbook in his single-minded push for hearings.

With committee Republicans backing him, Leach planned to turn a hearing set for Thursday to oversee work by the agency responsible for cleaning up thrifts into a full inquiry into Whitewater.

Under House rules, only the committee chairmen have subpoena powers. Minority members may invite witnesses, if the chairman approves.

But Gonzalez delayed the hearing and lambasted Leach for "intending to launch into a prosecutorial or judicial adventure."

Gonzalez called for "full hearings into the so-called Whitewater affair" - a move that signals House Democrats' acknowledgement that hearings into the land deal cannot be avoided.

In a letter to Gonzalez pressing his dismay, Leach said: "The majority's action . . . raises the question of whether the majority party has the spine to conduct credible oversight of an administration of the same political party."

Rep. Dick Armey, R-Texas, third-ranking GOP leader, railed against Gonzalez's

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use of his subpoena powers.

"The Democrats are saying the chairman and the chairman alone makes the decisions for Congress," he said. "If that's true, what you do is disenfranchise the opposition. It's one-party rule run amok."

Armey recalled what he described as "high drama in Congress" when Democrats demanded that Reagan and Bush administration officials appear before congressional committees to discuss:

Allegations Ronald Reagan's campaign aides cut a deal with Iran in 1980 to delay release of U.S. hostages.

Attorney General Edwin Meese's financial activities.

Influence-peddling charges against Reagan's Housing Department.

GRAPHIC: PHOTO, b/w, Tom Roster

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LEVEL 1 - 16 OF 24 ITEMS

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USA TODAY

March 22, 1994, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 293 words

HEADLINE: Bottom line on plea may be testimony against Clinton

BYLINE: Dennis Cauchon

DATELINE: LITTLE ROCK

BODY

The plea agreement between Whitewater special counsel Robert Fiske and ex-judge David Hale means Hale is likely to tell a grand jury of his claim then-governor Bill Clinton urged him to make illegal loans.

Hale says Clinton pressured him twice to make a loan, backed by the Small Business Administration, to Susan McDougal, the wife of Clinton friend James McDougal.

In 1987, Hale, who ran a company authorized to make SBA loans, did make a $ 300,000 government-guaranteed loan to a company owned by Susan McDougal.

In earlier interviews, Hale said all three knew she didn't appear to qualify for the loan.

"But we were friends and that is the way that business is done in Arkansas," Hale said.

Hale says Clinton urged him to make the loan once in the Arkansas state Capitol and once in McDougal's office.

Clinton denies he asked Hale to make the loan. McDougal also denies it. Hale's two co-defendants in the SBA fraud case also say they never heard Hale mention Clinton.

Fiske, in court records, says Hale's claim is important to his probe, but has not said if he finds what he says is credible.

Hale's lawyer, Randy Coleman, said Fiske will give Hale credit with providing "substantial assistance" to prosecutors - the only way to get a significant sentence reduction.

Whitewater Development Co., the Clinton-McDougal partnership, spent about $ 100,000 of the money to buy land in 1986. James McDougal said the land was mistakenly purchased in the Whitewater name without Clinton's knowledge. It was transferred later to another McDougal firm.

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Coleman said Hale will admit to conspiring to defraud the SBA of $ 900,000 in 1988 and will admit to mail fraud involving Madison Guaranty Savings & Loan, which he hadn't been charged with.

GRAPHIC: PHOTO, b/w, Rick McFarland, Arkansas Democrat-Gazette

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LEVEL 1 - 17 OF 24 ITEMS

Copyright 1994 The Washington Post
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March 22, 1994, Tuesday, Final Edition

SECTION: OPINION EDITORIAL; PAGE A16

LENGTH: 454 words

HEADLINE: Muscle Over Merit

SERIES: Occasional

BODY

AS CHAIRMAN of the House Banking Committee, Rep. Henry Gonzalez may have had enough Democratic votes in his pocket to thwart a Republican investigation into the Whitewater-Madison affair during Thursday's scheduled semiannual oversight hearings on the Resolution Trust Corp. But his stance was woefully weak on merit. Perhaps realizing that a win in committee might be a loss in public opinion, Mr. Gonzalez relented yesterday -- sort of. He summarily postponed this week's statutorily mandated hearings and is now calling for an Iran-contra-style select committee probe. In doing so, however, the chairman may be doing little to shake his stonewalling partisan image.

To be sure, committee Republicans wanted to use the hearings to probe the failure and resolution of the Madison Guaranty Savings and Loan in Little Rock and the propriety of the Clinton White House's involvement in the RTC probe. Both events could prove embarrassing to the president. But that makes them no less legitimate issues for congressional hearings. Given the special counsel's probe, the timing and scope of hearings have to be worked out with Mr. Fiske to avoid impeding his investigation. House Banking Republicans recognized that problem and had offered to delay calling their witnesses for several weeks to allow Mr. Fiske to take their testimony first. Rep. James Leach, the committee's ranking Republican, had already provided the special counsel with a list of proposed witnesses, now pared back to 18 from the original 40. Mr. Gonzalez, who had maintained that he wouldn't allow administration witnesses to be grilled by the Republicans, and had even taken the unusual steps of censoring a member's inquiry and warning witnesses not to answer questions, has now pulled the plug on his own committee's hearings. The principal stumbling block to achieving full public disclosure has been Mr. Gonzalez, the very member of Congress who should be supporting timely RTC oversight hearings.

That is regrettable. In the past the Banking Committee managed to conduct hearings on issues and involving individuals who were subjects of simultaneous Justice Department probes. There are several important nagging questions that Congress ought to want answered. Whether, as Thursday's hearing could have resolved, RTC investigators were pressured by higher ups or political appointees to play down the first family's involvement in their preparation of criminal referrals involving Madison's failure is one such question. Yesterday, Mr. Leach said Mr. Gonzalez's action "raises the question of whether the majority party has the spine to conduct credible oversight of an administration of the same party." It is a hard but fair question.

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LEVEL 1 - 18 OF 24 ITEMS

Copyright 1994 The Washington Post
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March 22, 1994, Tuesday, Final Edition

SECTION: EDITORIAL; PAGE A17

LENGTH: 1140 words

HEADLINE: Whitewater: Who Made This Monster?

SERIES: Occasional

BYLINE: E. J. Dionne Jr.

BODY

How did the Whitewater land deal get transformed from a story the press felt free to brush off in 1992 into a threat to the Clinton presidency and a gargantuan media industry in 1994? Who's responsible for this?

Not the Republicans. Of course the Republicans, smarting at Clinton's successes, are riding this story for all it's worth. They'd deserve an Academy Award for political incompetence if they weren't.

Sure, some Republicans are not happy that New York Sen. Alfonse D'Amato, hardly Congress's Saint Francis of Assisi, is acting as their ethics front man. Yes, the Republicans pulled a bait-and-switch on Clinton, saying first that he needed to name a special counsel to clear the air on Whitewater and then saying no, that's not enough, we need congressional hearings. And it's true that the Republicans have turned 180 degrees since the Reagan-Bush days on such issues as executive authority and congressional oversight.

But Rep. Jim Leach of Iowa is right about one thing: The job of the opposition party is to kick up a big fuss whenever the party in power gives any sign of straying from the ethical straight-and-narrow. In similar circumstances, the Democrats would do -- have done -- the same thing.

It's much easier to build a case against the media. There is, first, the simple question: If the press saw Whitewater as a trivial matter during the presidential campaign, why did it hyperventilate this year with comparisons of an old land deal to Watergate and Iran-contra?

The press has developed what you might think of as a grammar of scandal, where the same words, tones and gestures are invoked whenever a story like this comes up. As a result, all alleged scandals sound equally horrible, even when it's not clear in all cases just what the scandal is.

The recipe is simple: Pull a few evocative words off the shelf -- "shredding" and "White House in disarray" are my favorites -- and blend in a portentous tone that mixes astonishment, outrage and studied concern. Bake for a while and -- presto! -- you have judicial investigations, congressional hearings and an army of reporters assigned to keep the story going.

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It is, at best, wildly premature to compare Whitewater to Watergate or Iran-contra. Watergate and Iran-contra began with major abuses of executive power in Washington; the original sins of Whitewater, if they are sins, were committed long before Clinton became president. And the Whitewater damage-control meetings -- foolish though they were -- were not, from anything we know now, criminal coverups.

But no, the press is not the prime mover here. What turned Whitewater from a complicated and obscure set of financial transactions into a Big Story were a series of steps by the administration that the press simply couldn't ignore. Had it tried to, reporters would rightly have been assailed for pro-Clinton bias.

After Vincent Foster's suicide, there was the removal of the Whitewater papers from his office by the White House counsel, Bernard Nussbaum. The White House did not disclose that fact, and it came to light only months later. When it did become known, it was only natural that people would ask exactly what had been removed, and why.

Then there was word that the Resolution Trust Corp. had urged the Justice Department to mount a criminal investigation of Madison Guaranty Savings & Loan, owned by the Clintons' Whitewater partner Jim McDougal. The Clintons were named as possible beneficiaries of funds diverted from Madison, though not as criminal defendants. A top White House aide denied knowing anything about this, which -- in light of those controversial briefings on the case -- turned out to be a lie.

Then the Clintons' lawyer arranged to have a subpoena for Whitewater documents broadened, which looked like a way of keeping as many of them out of public view as possible.

All this produced the one question that keeps this story going: If the Clintons have nothing to hide, why do they seem to be hiding things?

Maybe there really is something dreadful underneath all this that goes beyond the excessive chumminess that exists between so many governors and so many state business elites. But so far, the evidence just doesn't support such a dark view. If that's true, then the Clintons' problem lies not with Whitewater itself, but in a White House permeated by a hatred of the press, a resentment of disclosure and an attitude of permanent embattlement.

Mind you, anybody who went through what the Clintons did on Gennifer Flowers, the draft and the other stories would probably hate the press, too. The Clintons are said to be especially upset at the grief a prying press has caused their Arkansas friends. And Clinton still remembers those silly stories that declared his administration dead just two weeks after it started. He never got a honeymoon.

The Clintons have absolutely no obligation to like the press. But they're hurting themselves if they use the media's sins as a moral justification for resisting disclosure even when disclosure is justified. This is a habit rooted in the 1992 campaign. It can be argued Clinton's candidacy was so fragile in the early going that full and immediate disclosure on various topics -- especially the draft -- could have knocked him out of the race. So Clinton dribbled information out bit by bit, only as he was forced to. His candidacy withstood

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each incremental disclosure, but neither Clinton nor his war room ever resolved voter doubts about his character. They won by changing the subject, which worked because voters were so unhappy with George Bush. But Clinton is still suffering with both the public and the press from the residue of this campaign habit, and he needs to change it.

He is also being hurt by a staff proclivity that William Safire, in his book "Before the Fall," attributed to the Nixon White House: the "us" against "them" syndrome. This is dangerous because it treats all who do not see the world exactly as Clinton insiders do as enemies. It's a great way to shrink your political base fast, and also a method for screening out good but not necessarily pleasant advice.

The truth is that the whole world is not out to get the Clintons, nor is most of what passes for official Washington, nor -- as conservative media critics would be the first to tell them -- is the press. On the contrary, a lot of people have repeatedly hailed the Clintons for their willingness to take on so many tough issues -- health care, welfare and big-city social breakdown, for starters. Most Americans want to talk about these things and not Whitewater. But to change the subject, the Clintons need to stop seeing legitimate questions as invasions of privacy. They and their lieutenants need to overcome the "us" against "them" syndrome, which could do them a lot more damage than Whitewater.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 22, 1994

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LEVEL 1 - 19 OF 24 ITEMS

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March 22, 1994, Tuesday, Final Edition

SECTION: FIRST SECTION; PAGE A10

LENGTH: 934 words

HEADLINE: Clinton Accuser Agrees to Plea, Testify

SERIES: Occasional

BYLINE: Howard Schneider, Susan Schmidt, Washington Post Staff Writer

BODY

Former Little Rock municipal judge David L. Hale's decision to enter a plea in connection with a federal fraud case opens the way for special prosecutor Robert B. Fiske Jr. to bring a direct allegation against President Clinton before a grand jury.

It also allows Hale to do what he has said he wanted to do since September: Tell in an official forum how Clinton and other influential Arkansans pressed him in 1986 to make loans to politically connected borrowers from his Small Business Administration-funded finance company. Hale's lawyer, Randy Coleman, said last night his client will plead guilty this morning to two felony charges -- one of them conspiring to defraud the SBA.

In bargaining with Hale, Fiske has secured a promise of grand jury testimony from the only person to have alleged Clinton is directly involved in any of the questionable financial transactions linked to the collapse of Madison Guaranty Savings & Loan. The second felony count to which Hale will plead guilty involves wire fraud in his dealing with Madison.

Clinton yesterday dismissed Hale's story as "a bunch of bull" and said he was not concerned about his possible testimony.

Whether Hale will be convincing is another matter. His attorney sought unsuccessfully last fall to negotiate the case directly with the White House. A contact by Hale's lawyer to White House deputy counsel William H. Kennedy was reported to counsel Bernard Nussbaum and dropped. White House press secretary Dee Dee Myers has condemned Hale as a man trying to "save his butt."

Hale also has no known corroboration for his charge against Clinton. But he has offered specific details, saying Clinton asked him twice to use his company to help Madison owner James B. McDougal. The White House denies that Clinton had such conversations. At the time, Madison, which McDougal owned, was in distress and trying to improve its financial posture before a scheduled examination by federal regulators.

After the conversations, Hale said he made a $ 300,000 loan to a small marketing company owned by Susan McDougal, then James McDougal's wife. The

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McDougals were partners with Bill and Hillary Rodham Clinton in the Whitewater Development Corp., another focus of Fiske's inquiry.

The loan, Hale says, violated his company's mission to lend money to disadvantaged entrepreneurs, and also left it strapped for cash when the loans were not repaid. In return for Hale's testimony, Fiske has agreed to not seek any other charges and to file papers with the court that would allow the judge to impose a lighter sentence than called for in sentencing guidelines, Coleman said.

Hale is a Democratic activist with longstanding ties to McDougal, Arkansas Gov. Jim Guy Tucker and others whose financial activities Fiske is trying to understand.

U.S. District Judge Stephen Reasoner has scheduled a 10 a.m. hearing to accept Hale's plea both to the charge that he defrauded the SBA in the late 1980s by claiming to have invested more money in his company, Capital Management Services Inc., than he really did and the previously undisclosed wire fraud charge. The extra money, according to his September indictment, was supplied temporarily by two codefendants to mislead the SBA into giving Hale more matching funds. The money was then returned to the two men.

Hale's company was licensed and funded by the SBA to give loans to economically and socially disadvantaged entrepreneurs who could not obtain capital from traditional sources. Under the program, the SBA provided money for Hale to lend based on how much private capital he had raised.

The alleged fraud scheme is not directly connected to the loans that Hale says he was pressed to make in 1986 by Clinton and others. However, because most of those 1986 loans were not repaid, Hale in earlier interviews said his company was left in desperate need of the extra $ 900,000 in SBA funds he allegedly defrauded the agency into providing.

Hale's September indictment helped elevate the Clintons' involvement in a failed Arkansas real estate deal into a chronic political headache.

Hale's lawyer unsuccessfully tried to negotiate a plea bargain with Paula Casey, the Clinton-appointed U.S. attorney in Little Rock. Casey's refusal prompted Hale to go to the press with his story of two meetings with Clinton, one a casual conversation on the State House grounds and one in a Madison real estate office.

Casey's refusal to bargain with Hale also led to charges that she was trying to suppress information damaging to Clinton. Casey also declined to pursue a criminal investigation of Madison requested by the Resolution Trust Corp. The RTC referral named the Clintons as possible beneficiaries of funds diverted from Madison.

Interest in Hale's charge grew after it was disclosed that part of the loan money went to buy more land for Whitewater -- a transaction the Clintons say they knew nothing about.

Hale said the loan to Susan McDougal was just one in a series of loans he made to help members of his "political family" clear up unspecified financial

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problems.

Other loans included $ 69,000 to former Clinton gubernatorial deputy Stephen Smith, who said in bankruptcy papers that he used the money from Hale to repay money he owed Worthen Bank.

Hale's company was put in receivership by the SBA last summer as the investigation into his alleged fraud continued.

Hale in 1979 became one of the first members of a new municipal court established by Clinton and the state legislature, and ran successfully for reelection during the next decade. He resigned after his indictment.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 22, 1994

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LEVEL 1 - 20 OF 24 ITEMS

Copyright 1994 The Washington Post
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March 22, 1994, Tuesday, Final Edition

SECTION: FIRST SECTION; PAGE A10

LENGTH: 693 words

HEADLINE: House Banking Chairman Calls For Hearings on Whitewater

SERIES: Occasional

BYLINE: Susan Schmidt, Kenneth J. Cooper, Washington Post Staff Writers

BODY

The Democratic chairman of the House Banking Committee reluctantly reversed course yesterday and joined the growing ranks in his party calling for congressional hearings on the Whitewater affair.

"It is, I believe, time for Democrats to use the truth, the weapon Republicans fear most," said Banking Committee Chairman Henry B. Gonzalez (D-Tex.). He called for hearings, possibly by a select committee, to examine all the allegations that have been raised surrounding President Clinton's Whitewater land venture and its ties to the failed Madison Guaranty Savings & Loan.

"The good people who have been smeared have the right to clear their names, and the country deserves the chance to expose the Republican witch hunt for what it is," Gonzalez wrote to House Speaker Thomas S. Foley (D-Wash.).

Gonzalez canceled a Thursday oversight hearing on the savings and loan cleanup that Republicans had planned to use as a forum to explore Whitewater questions. Gonzalez said he feared Republicans would use the hearing "to haul out their series of half-truths, old rumors, half-baked conspiracy theories and outright lies about the Clintons."

White House officials, adhering to their standard statement that it is up to Congress to decide the timing and format of any hearings, are opposed to establishing a select committee to hold hearings.

"God, we don't want select committee hearings," said one official, who added that the administration anticipated that the House would approve a resolution this week similar to a Senate resolution passed last week. It called for Democratic and Republican leaders to hold discussions on the timing and format of hearings.

The official said the White House "accepts the inevitability of hearings... . We would like to see them be contained hearings and get it over with."

Select hearings, the official said, would be "costly, lengthy, and probably counterproductive... . You have a whole group of staff and others who take weeks and weeks to put these things together."

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The White House is anticipating that when special counsel Robert B. Fiske Jr. concludes looking at the contacts between White House and Treasury officials regarding the Whitewater investigation -- a line of inquiry expected to take a month to six weeks -- the House or Senate would have hearings on that.

Foley said that House Democratic leaders would meet with their GOP counterparts today to try to reach an understanding on holding hearings in a way that accommodates Fiske, who has expressed concern that congressional hearings could impede his investigation.

Asked about Gonzalez's call for a select committee, Foley replied, "We're way down the track from any decision on that." But Foley added that House Democratic leaders were "not trying to stonewall the congressional responsibility to conduct hearings."

House Minority Leader Robert H. Michel (R-Ill.) said a select committee, as Gonzalez proposed, would mean "more staff, more space, more money" in comparison to hearings by a regular House committee.

Rep. Jim Leach (Iowa), ranking Republican on the Banking Committee who had been leading the GOP's Whitewater inquiry, said that House Republicans had dropped their request for a select committee when Fiske was named special counsel.

Leach told Gonzalez he was disappointed by the decision to put off the Resolution Trust Corp. oversight hearing, noting that the semiannual hearing was mandated by law and was supposed to have occurred by Dec. 3.

Leach had planned to question Clinton administration officials at Thursday's hearing, including Deputy Treasury Secretary Roger C. Altman, who is serving as the interim chief of the RTC until the end of this month.

Altman has acknowledged giving White House officials a "heads up" briefing last month on the progress of possible RTC civil lawsuits arising out of the failure of Madison Guaranty. He and other Treasury and White House officials have been subpoenaed to testify before a federal grand jury on that meeting and two others in which the RTC's criminal probe of Madison and Whitewater were discussed.

Staff writer Ann Devroy contributed to this report.

GRAPHIC: PHOTO, REP. HENRY B. GONZALEZ.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 22, 1994

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LEVEL 1 - 21 OF 24 ITEMS

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March 22, 1994, Tuesday, Final Edition

SECTION: Part A; NATION; PRUDEN ON POLITICS; Pg. A4

LENGTH: 761 words

HEADLINE: A little amiable evil for the good ol' boys

BYLINE: Wesley Pruden; THE WASHINGTON TIMES

BODY

Is Arkansas inherently evil?

Bill Clinton's White House wants you to think so. If not evil, flexible.

The congressional hearings are closing in on the Clintons. Nobody knows what will come of them, but the stubborn ferocity of the Clinton resistance to putting everything in the open suggests to suspicious folk that something bad - if not necessarily evil - is hiding between the cracks in the myth of baby-boomer moral superiority.

A lot of Arkansas folk are sick of the spotlight. They don't like it, any more than people anywhere else would like it, when they read what columnist Ernest Dumas of Arkansas Times weekly calls "the automatic reference" linking their culture with "incestuous behavior," as in, for example, a discussion of how governors sometimes get sweetheart real-estate investment deals and questionable campaign contributions from shady bankers they protect from inconvenient state regulation.

Newspapers and television networks send their reporters and camera crews into Arkansas - to Little Rock, actually - to sound out the sentiment of the men in the street. They return with the "incestuous behavior" verdict fully validated.

There's a formula to these stories, often called "mood stories." They're inherently phony, particularly in Arkansas, where, as Orval Faubus once noted, "we always lie to strangers." Not only that, the visiting reporter invariably takes his readings from (1) the taxi driver who takes him from the airport to the hotel; (2) the waitress who brings his bacon, eggs and grits the next morning (unless he's a baby boomer, too, and orders grapefruit, a bowl of sticks and stones with skim milk and a container of yogurt), and (3) the bartender where he slakes his thirst at the end of a hard day of taking the public pulse.

Though Arkansas is a church-going state - joining the biggest Baptist church in town was the first thing Bill Clinton did on the road back from defeat after his first term as governor - no reporter ever checks out the pulse of such folks. Only rarely does an out-of-town reporter drive out to the small towns

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and crossroads hamlets, to seek out the middle class, mostly by not altogether white, that gave a majority of its vote to Mr. Clinton's opponents in 1992. Nobody ever checks anyone's pulse at the Kmarts and the Wal-Marts and the shopping malls in Pine Bluff, Texarkana, Fort Smith or Jonesboro.

Paul Greenberg, the moderate and thoughtful editor of the editorial page of the Arkansas Democrat-Gazette, was invited to one of the ubiquitous weekend talk shows and the interlocutor asked him about the notion that because Arkansas is small and quiet there's a lot of incest in its politics and commerce - that folks there don't seem to know any better than to lie, deceive and plunder. Hence, the questions posed to him about Bill and Hillary and their Whitewater partner Jim McDougal.

"I think it could have happened in any other state," replied Mr. Greenberg. "People make mistakes throughout the Union. I think it was a mistake for Mrs. Clinton to intercede or send a note on behalf of Jim McDougal's Madison Guaranty S&L, with whom she had been in business in a land deal, to a banking commissioner whom her husband had appointed. It was clear that the banking commissioner would recognize who the letter was from. It was from Hillary Clinton."

Bill Clinton has made a career of exploiting Arkansas, not only through 12 years as governor, but he shamelessly exploits the reputations of Arkansas people whenever he gets in a jam, which is fairly often. He brushed off criticism of his Vietnam draft-dodging during the '92 campaign with the assertion that, well, after all he had been elected in Arkansas and Arkansas had sent a disproportionate number of its sons to the nation's wars and they returned with a disproportionate number of decorations for bravery and valor in combat. This is true. The great old Third Arkansas was Robert E. Lee's favorite regiment, and the tradition endures through the world wars, Korea, Vietnam and the Persian Gulf and unto the present day, but it was the non sequitur of the year.

Frank White, a former governor who gave Mr. Clinton his last licking, in 1980, scoffs at the subtle White House argument that Bill Clinton is only the product of the environment in that strange and wondrous land of myth, magic huckleberry and the razorback boar. The nation has no Arkansas problem, but it has a Clinton problem.

GRAPHIC: Illustration, Arkansan to count on

LANGUAGE: ENGLISH

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LEVEL 1 - 22 OF 24 ITEMS

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March 22, 1994, Tuesday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1398 words

HEADLINE: Hale might hold pieces to the Whitewater puzzle ;
Grand jury likely to hear of Clinton's deals

BYLINE: Jerry Seper; THE WASHINGTON TIMES

BODY

Former Little Rock municipal Judge David L. Hale may be the key to government efforts to unravel the Whitewater-Madison financial web when he testifies before a federal grand jury as part of a plea agreement reached with special counsel Robert B. Fiske Jr.

Law enforcement sources said yesterday that Mr. Fiske's office is looking to penetrate what it believes is an "inner circle" of prominent Arkansas politicians and community leaders, all of whom were in debt to both Mr. Hale's Little Rock lending company, Capital-Management Services Inc., and Madison Guaranty Savings and Loan Association.

Investigators are trying to determine if any of the Madison or Capital-Management money was secretly funneled to Arkansas politicians, including Gov. Bill Clinton, or whether the lending agency's money was used to cover Madison or Whitewater Development Corp. loans, according to the sources.

Mr. Hale, who will plead guilty to two felonies - one count of conspiracy and one count of mail fraud - at a court hearing today in Little Rock, will testify for Mr. Fiske before a special grand jury empaneled last month by U.S. District Judge Stephen M. Reasoner.

The plea agreement, to be presented in open court to Judge Reasoner today, guarantees that Mr. Hale's trial, scheduled to begin Monday, will not take place. Many Arkansans thought the trial would prove embarrassing to some political and community leaders.

Mr. Hale's testimony is included as part of a signed plea agreement negotiated by Mr. Fiske and Mr. Hale's Little Rock attorney, Randy Coleman.

"What we tried to do with this agreement is to improve our position - one step at a time," Mr. Coleman said. "Mr. Hale is going to cooperate fully with Mr. Fiske in terms of his testimony and anything else that is required of him."

Law enforcement sources and others close to the Whitewater-Madison probe said Mr. Hale agreed to cooperate with investigators after concluding the Fiske

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probe "was a complete investigation."

One source said: "I am convinced Hale would not have agreed to testify if he thought there was not going to be a complete investigation. What he's doing, he's doing at great sacrifice."

Asked yesterday about Mr. Hale's pending testimony, President Clinton said: "This is all a bunch of bull. My faith that the truth will win out has been sorely tested in the last few weeks, but it's still there.

"Why don't you just let the special counsel do his job?" he scolded reporters.

Mr. Hale's grand jury testimony - which could come as early as tomorrow - is expected to focus on Mr. Clinton, among others. He has said Mr. Clinton pressured him in March 1986 for a $300,000 Small Business Administration-backed loan to Susan H. McDougal, then-wife of Madison's owner, James B. McDougal.

The Clintons and McDougals were partners at the time in Whitewater, a northern Arkansas real estate venture.

The loan was deposited in a Madison account, with $110,000 of it later being transferred to Whitewater and used by Mr. McDougal as a down payment on other property. What happened to the other $190,000 is not clear. The loan was never repaid.

In an interview yesterday on CNN's "Larry King Live," Mr. McDougal called Mr. Hale's account a "cock-and-bull story" and said Mr. Hale is "a con and a cheat and a forger."

Mr. McDougal also said he would hold a news conference next week that would completely clear Mr. Clinton of any wrongdoing in the Whitewater-Madison affair. He did not provide any specifics.

Other people Mr. Hale is expected to be asked about before the grand jury include:

* Arkansas Gov. Jim Guy Tucker, who succeeded Mr. Clinton. He borrowed $150,000 from Capital-Management in February 1986 for a real estate venture known as Castle Sewer and Water Corp., which sought to provide water and sewer services to a mobile home park being developed and financed by Madison.

Castle Sewer later defaulted on more than $860,000 in Madison loans. The mobile home project, known as Castle Grande, eventually failed. The SBA loan was never repaid.

Mr. Tucker borrowed a second $150,000 from Capital-Management in October 1987 for Southloop Construction Corp., which proposed building a shopping center on a 30-acre parcel south of Little Rock - next to the Castle Grande project.

That venture also failed. Southloop bought the property for $353,000, using money from a $260,000 loan from Madison and the $150,000 SBA-backed loan from Mr. Hale's company. The SBA loan was never repaid.

* Stephen A. Smith, a former aide to Gov. Clinton who borrowed $65,000 in

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February 1986 from Capital-Management to create a Fayetteville, Ark., firm known as the Communications Co.

The firm sought to hire personnel and purchase equipment to manage political campaigns in Arkansas. Mr. Smith later defaulted on the loan. The Communications Co. declared bankruptcy in June 1992.

In 1980, Mr. Smith was president of the Bank of Kingston, Ark., owned by Mr. McDougal, and approved a $30,000 loan to Hillary Rodham Clinton to build a model home on the Whitewater project.

* Tommy Trantham, named in July 1987 as president and chief executive officer of Madison following Mr. McDougal's forced departure from the S&L's management. Mr. Trantham was the recipient of a $100,000 SBA-backed loan from Mr. Hale's company.

The loan came less than a year before Madison was shut down by federal regulators at a cost to taxpayers of $50 million.

* Partners in the Campobello Project, formed in December 1983 by Mr. McDougal and Chris Wade, a Flippin, Ark., broker and land developer who later helped sell the Whitewater property. The partners borrowed $149,000 from Capital-Management in January 1986 to develop 344 acres in west Little Rock.

The partnership sought to develop 3,859 acres located on a Canadian island off the coast of Maine. Madison and Madison Financial Corp., a subsidiary, loaned the project $3.7 million through April 1986. The project eventually failed.

Mr. Hale, facing four felony counts and 46 months in prison in a suspected scheme to defraud the SBA in loans unrelated to the Whitewater-Madison affair, agreed Sunday to cooperate with Mr. Fiske and his staff.

In court papers, Mr. Fiske described Mr. Hale's assistance and pending grand jury testimony as "a fundamental part" of the ongoing Whitewater-Madison probe.

Mr. Hale, appointed as a Pulaski County municipal judge in 1980 by Mr. Clinton, authorized hundreds of thousands of dollars in government-backed loans to friends of the Clintons, while president of Capital-Management.

"There's no doubt Hale's involvement was ongoing and constant and involved quite a number of people tied to Clinton," said one law enforcement source familiar with the Whitewater-Madison probe. "In words that everyone understands, David Hale was their piggy bank."

Mr. Coleman said the plea agreement formally outlines Mr. Hale's obligations to cooperate fully in the Fiske probe and says that if the former judge "fulfills his responsibilities and provides substantial assistance," the special counsel will ask the court to depart from existing sentencing guidelines in the case.

"What the government is looking for is full cooperation, and that's what we intend to provide," Mr. Coleman said.

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Mr. Hale was not available yesterday for comment.

He has told authorities, however, that Mr. Clinton and Mr. McDougal, in a meeting at Mr. McDougal's Little Rock office, said they needed the SBA-backed loan to "clean up" some financial problems. He said the three decided to name Mrs. McDougal as the loan applicant because, as a woman, she could qualify.

He said they knew Mrs. McDougal did not legally qualify for the SBA loan, which was for disadvantaged applicants. Three months earlier, Mr. and Mrs. McDougal filed a financial statement showing a net worth of $2.2 million.

"I knew what was going on, as we all did," Mr. Hale said. "But we were friends, and that's just the way business is done in Arkansas." He said Mr. Clinton told him the Clinton name could not be tied to the deal "anywhere at all."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 22, 1994

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LEVEL 1 - 23 OF 24 ITEMS

Copyright 1994 News World Communications, Inc.
The Washington Times

March 22, 1994, Tuesday, Final Edition

SECTION: Part A; Pg. A13

LENGTH: 499 words

HEADLINE: GAO slams probe of Arkansas loans

BYLINE: Jerry Seper; THE WASHINGTON TIMES

BODY

A General Accounting Office report says federal oversight was "clearly inadequate" in the case of Small Business Administration-backed loans by an Arkansas company run by a key figure in the Whitewater-Madison affair.

The GAO, in a 29-page report to Rep. John J. LaFalce, chairman of the House Small Business Committee, said SBA examiners failed to recognize "strong indicators or red flags" that Capital-Management Services Inc. in Little Rock was improperly operated.

The company was run by David L. Hale, a former municipal judge who ;WORLDis expected to plead guilty today to fraud charges in the first case of the Whitewater-Madison probe.

"While SBA did finally take action against Capital-Management in 1993, its inadequate oversight through the years resulted in a $3.4 million loss to the SBA," the report said.

The GAO concluded that:

* Mr. Hale operated the lending company in "an improper manner" by entering into prohibited transactions. The transactions included loans to business associates and loans for real estate purchases, both of which violate SBA regulations.

* Mr. Hale "took advantage of the opening provided by the flexibility in SBA guidelines" to provide loans to individuals with "questionable claims to program eligibility."

Rep. Jan Meyers of Kansas, ranking Republican on the House Small Business Committee, said the report found "woeful mismanagement" and "embarrassingly lax regulation" by the SBA.

"What the report fails to address is the possible abuse of political power by prominent Arkansas citzens who may have influenced David Hale's lending practices," she said.

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The report was requested in November by Mr. LaFalce, New York Democrat, after allegations surfaced that President Clinton, while governor of Arkansas, had pressured Mr. Hale for an indirect and illegal $300,000 SBA-backed loan from Capital-Management. Mr. Hale told federal authorities the request had come during a March 1986 meeting.

The SBA-approved loan to Susan H. McDougal, then-wife of James B. McDougal, owner of Madison Guaranty Savings and Loan Association, was one of the Capital-Management transactions reviewed by the GAO. The loan was never repaid.

The GAO said it investigated "conflicting claims" on how the $300,000 was used, including an allegation by Mr. Hale that Mr. Clinton and Mr. McDougal said they needed money to "clean up" financial problems, and Mr. McDougal's claim that the loan went to Madison and then Whitewater Development Corp. to purchase property.

"We found no evidence to support or refute either of these conflicting claims," the GAO said.

The GAO said records show the SBA conducted only "cursory examinations" of Capital-Management during its 14-year existence. The GAO said that when questions were raised, Mr. Hale was "often able to convinced [SBA investigators] that he had corrected or eliminated the problem."

LANGUAGE: ENGLISH

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LEVEL 1 - 24 OF 24 ITEMS

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March 22, 1994, Tuesday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1012 words

HEADLINE: Gonzalez gives in, calls for hearings

BYLINE: Paul M. Rodriguez; THE WASHINGTON TIMES

BODY

Rep. Henry Gonzalez, chairman of the House Banking Committee, under tremendous political pressures from fellow Democrats, yesterday abruptly called for "full hearings on the so-called Whitewater affair."

Earlier in the afternoon, the Texas Democrat had postponed an oversight hearing where Republicans sought to air Whitewater-Madison and its links to President and Mrs. Clinton.

"I have never seen a more malicious campaign of character assassination than this," Mr. Gonzalez wrote in a late-afternoon letter to Speaker Thomas S. Foley, urging the House leadership to "draft and endorse a resolution" on the hearings.

"It is, I believe, time for Democrats to use the truth, the weapon Republicans fear most," said Mr. Gonzalez, acceding to GOP demands for congressional hearings over the objection of Whitewater-Madison special counsel Robert B. Fiske Jr.

Noting that the Senate approved such hearings 98-0 last week, he said, "I would suggest that House hearings be held in a forum of broad reach - possibly a select committee - that can explore all the charges that have been brought, from accusations of obstruction even to the most absurd conspiracy charges."

Last night, Mr. Clinton, speaking at a $3.5 million Democratic fund-raiser in Bal Harbour, Fla., charged that Republicans are "obsessed" with hurting him simply because the Democrats hold the White House.

In a partisan address that echoed an angry attack of Republicans at another fund-raiser last week in Boston, Mr. Clinton said Republicans are "obsessed with personal power . . . and in a snit because they don't have the White House."

He avoided mentioning Whitewater-Madison but called Republicans "angry people" who are focused on "sideshows" and not domestic policy and who have resorted "to the politics of division, distortion and destruction."

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Mr. Gonzalez's late-afternoon turnaround for hearings followed the earlier release by Mr. Gonzalez of a caustic letter to Rep. Jim Leach, notifying the ranking Republican on the Banking Committee that a scheduled oversight hearing of the Resolution Trust Corp. this Thursday was being called off.

"In view of your obdurate and obstinate refusal to honor the special counsel's request, and, in addition, your threats to disrupt or in your words create a 'donnybrook,' I have no recourse but to postpone the hearing," Mr. Gonzalez wrote to Mr. Leach.

Mr. Leach, Iowa Republican, who has been conducting his own Madison-Whitewater probe and pressing for hearings, declined to criticize Mr. Gonzalez's letter canceling the RTC hearing but said the call for broader House hearings "is welcomed news."

The tone and commentary in the early-afternoon Gonzalez letter to Mr. Leach - coming from a House Democratic leader - prompted Mr. Foley to call Mr. Leach and personally apologize on behalf of the House.

Mr. Leach did not divulge details of the Foley call other than to relate the apology.

Mr. Foley, Washington Democrat, along with House Majority Leader Richard A. Gephardt, Missouri Democrat, and House Minority Leader Robert H. Michel, Illinois Republican, are slated to meet on the issue at 10 a.m. and also review a GOP draft resolution that would force the House to formally vote on the matter of hearings later in the day.

Mr. Foley said that while Mr. Gonzalez's comments will not affect "the ultimate decision . . . we will explore with our colleagues on the Republican side conditions on which some hearings might take place."

An aide to Mr. Michel said yesterday that the Republican leader wants "the discussion on the issue to be in the open and a vote on the floor to be open for the public to see who is in favor of and who is against such hearings."

The fact that Mr. Foley felt compelled to call Mr. Leach personally to apologize for the tone of Mr. Gonzalez's letter to Mr. Leach prompted several senior Democrats to express anger about their leadership's failure to, as one Democratic chairman said, "nip this thing in the bud before it bloomed, thorns and all."

Mr. Gonzalez's letter to Mr. Foley urging hearings "on the so-called Whitewater affair" seemed to dramatically advance the chances of hearings sooner rather than later.

Senate bipartisan leadership staffers, meanwhile, were reported to be working on a structure to set up Whitewater-Madison hearings, possibly through a select committee.

The Whitewater-Madison special counsel is investigating the financial dealings of Arkansas' Madison Guaranty Savings and Loan Association and the Whitewater Development Corp., an Arkansas real estate partnership of the Clintons, James B. McDougal, Madison's owner, and his wife at the time, Susan

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H. McDougal.

Mr. Fiske, working with federal grand juries in Little Rock and Washington, also is probing accusations that Mrs. Clinton's former law firm shredded Whitewater documents, secret briefings by Treasury officials with the White House, and the death of Vincent W. Foster Jr., White House deputy counsel and the Clintons' personal attorney.

Mr. Fiske, who has subpoenaed at least 11 Clinton administration officials - including seven at the White House - over the secret briefings on a Madison probe by the Resolution Trust Corp., has asked Congress to delay hearings so that witness testimony would not interfere with his probe.

Mr. Fiske is concerned that congressional hearings would grant immunity to witnesses, complicating any later prosecutions as happened during the Iran-Contra proceedings. The Senate resolution on holding hearings assured that no grants of immunity would be offered.

Mr. Leach, along with Sen. Alfonse M. D'Amato, New York Republican and the ranking GOP member on the Senate Banking Committee, have argued for weeks that Congress has a constitutional duty to hold Whitewater-Madison hearings.

* Paul Bedard contributed to this report from Bal Harbour, Fla.

GRAPHIC: Photos (A, color), A) Rep. Henry Gonzalez; B-C) NO CAPTIONS

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 22, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Paula Stone
Lisa P. Taylor

FROM: Gloria B. Berry
Paralegal

DATE: March 22, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are twelve (12) news articles from Nexis, relating to Madison Guaranty, covering the period March 18-21, 1994.

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LEVEL 1 - 2 OF 13 ITEMS

The Associated Press

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March 21, 1994, Monday, AM cycle

SECTION: Washington Dateline

LENGTH: 720 words

HEADLINE: Gonzalez Calls for Whitewater Hearings

BYLINE: By LARRY MARGASAK, Associated Press Writer

DATELINE: WASHINGTON

BODY

The Democratic chairman of the House Banking Committee called Monday for "full hearings on the so-called Whitewater affair," joining his party's reluctant push toward congressional review of the controversy.

"It is, I believe, time for Democrats to use the truth, the weapon Republicans fear most," said Rep. Henry B. Gonzalez of Texas.

He canceled Thursday's hearing of his committee, which Republicans had hoped to use to question Clinton administration officials and others about the controversy.

"It is unacceptable to permit the Republicans an occasional day of hearings that they can use to haul out one or another half-truth or launch yet another smoke bomb," he said.

Gonzalez's statement followed a Senate decision last week to hold Whitewater hearings at an unspecified date.

Rep. Lee Hamilton of Indiana, the Democratic chairman of the House Foreign Affairs Committee, said last week Congress should schedule hearings.

House Speaker Thomas S. Foley has repeatedly opposed Whitewater hearings on any matter that special counsel Robert B. Fiske Jr. is investigating.

After Gonzalez's statement, however, Foley appeared to move closer to endorsing future hearings.

He said that while Gonzalez's comments will not affect "the ultimate decision," he added, "We will explore with our colleagues on the Republican side conditions on which some hearings might take place." He said the bipartisan leadership will meet Tuesday.

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Gonzalez said in a statement, "I would suggest that House hearings be held in a forum of broad reach - possibly a select committee - that can explore all the charges that have been brought, from accusations of obstruction even to the most absurd conspiracy charges."

Gonzalez canceled a Banking Committee hearing scheduled for Thursday to review operations of the Resolution Trust Corp., the savings and loan cleanup agency.

The ranking Republican on the panel, Rep. Jim Leach, has been conducting his own probe of Whitewater and planned to turned the hearing into an inquiry on the subject.

Leach criticized the postponement, saying, "Full public disclosure is the only way that this administration can put this issue behind them."

He added, "The majority's action in avoiding statutorily mandated RTC hearings raises the question of whether the majority party has the spine to conduct credible oversight of an administration of the same political party."

Leach told reporters that he may give a floor speech this week to release "some new information." He added, "The minority has in its hands material that is somewhat embarrassing to the president. It's not devastating."

Leach said Gonzalez' suggestion for broader Whitewater hearings is "worthy of consideration," but "a lot will depend on the commitments that are made" by Democrats.

Gonzalez wrote to Foley that the Republicans have been making accusations against President Clinton and first lady Hillary Rodham Clinton, using "an array of half-truths, old rumors, half-baked conspiracy theories and outright lies.

"I recommend that the House leadership draft and endorse a resolution calling for full hearings on the so-called Whitewater affair," Gonzalez said.

Gonzalez cautioned - as have other members of both parties - that hearings should not compromise the work of Fiske, "whose requests for restraint have only drawn contempt from the Republicans whose political aims are frustrated by anything less than a witch hunt in a circus ring."

He said Congress should "set the record straight."

Leach has accumulated piles of documents on Whitewater's links to the failed Madison Guaranty Savings and Loan.

Like Fiske, the Iowa Republican is investigating in part whether depositors' money improperly went to the Clintons' real estate venture, called Whitewater, and whether Madison funds were used to help pay off Clinton's gubernatorial campaign debt in Arkansas.

Gonzalez wrote to Leach that "you obviously are premeditatedly intending to launch into a prosecutorial or judicial adventure. ...

"In view of your obdurate and obstinate refusal to honor the special

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counsel's request, and in addition, your threats to disrupt or in your words create a 'donnybrook,' I have no recourse but to postpone the hearing," Gonzalez said.

Leach said Foley "called me to apologize for the tone of the letter."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 21, 1994

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LEVEL 1 - 3 OF 13 ITEMS

The Associated Press

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March 21, 1994, Monday, PM cycle

SECTION: Washington Dateline

LENGTH: 737 words

HEADLINE: Hale to Enter Plea in Whitewater Investigation

BYLINE: By PETE YOST, Associated Press Writer

DATELINE: WASHINGTON

BODY

In the first major development of Whitewater prosecutor Robert Fiske's investigation, an indicted former judge who has linked President Clinton to a questionable loan has reached a plea agreement and will cooperate with investigators, a lawyer confirmed today.

David Hale has already begun assisting investigators and will plead guilty to two charges at a federal court hearing Tuesday in Little Rock, Ark., according to his lawyer, Randy Coleman.

"He is going to cooperate fully in terms of testimony and anything else that is required of him," Coleman said.

Hale has alleged that he was pressured eight years ago by Clinton, who was Arkansas governor at the time, to make a $ 300,000 loan to Susan McDougal, a business partner of the Clintons in the Whitewater real estate venture.

The federally backed loan went to Mrs. McDougal's public relations company, and Hale says some of the proceeds wound up in Whitewater.

Clinton has denied pressuring Hale and says he doesn't recall anything about the loan.

When Clinton was asked today about David Hale's allegations, he said, "This is all a bunch of bull."

Asked if he was worried that Hale may testify against him, he said, "My faith that the truth will win out has been sorely tested in the last few weeks but it's still there."

Appearing angry with reporters asking questions about Whitewater, Clinton, who is in Florida promoting his health care reform proposal, said: "Why don't you just let the special counsel do his job?"

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Clinton said USA Today recently interviewed two associates of Hale's who said, "he (Hale) didn't say a word to them about anything."

The guilty plea by Hale expedites Fiske's investigation into the Clintons' ties to the failed Madison Guaranty Savings and Loan, which was owned in the 1980s by James McDougal, Susan McDougal's former husband.

The McDougals and Clintons were partners in the Whitewater Development Corp., formed to purchase and develop 200 acres of land as a vacation retreat in Arkansas.

Hale, 53, was to face trial March 28 on four felony charges - none related to the loan to Mrs. McDougal - alleging that he misled the Small Business Administration about the amount of private capital in his company in order to get more federal funds.

Those charges carried a minimum of 46 months in prison under federal sentencing guidelines.

Coleman said his client will plead guilty to one charge that encompasses the original allegations in the indictment and second charge of mail fraud "involving certain activities" between Hale's company and Madison S&L.

Documents obtained by The Associated Press show that money flowed both ways between Hale's company and the S&L during the 1980s.

Coleman said the plea deal with Fiske was finalized over the weekend. It now clears the way for Hale to begin testifying before a federal grand jury investigating Whitewater.

It also avoids a trial that Hale hinted could have led to embarrassing public disclosures for Arkansas' political establishment, possibly including the Clintons.

At a pre-trial hearing this month, a lawyer said there would be testimony in the Hale case that proceeds from "bogus loans" went to important political figures. The lawyer did not elaborate.

Before Whitewater, Hale dabbled in the insurance business and started his company in the late 1970s that made loans backed by the SBA. Then he became a municipal judge, a position he resigned after his indictment last year.

When the FBI raided Hale's office last July, investigators seized thousands of pages of loan documents - a trail that led straight to Arkansas political figures and to Madison Guaranty.

Some $ 900,000 from McDougal's S&L flowed into Hale's company over the years, McDougal said in a recent interview.

Some $ 250,000 from Hale's firm went to companies associated with current Arkansas Gov. Jim Guy Tucker and his wife.

Also, Hale loaned $ 100,000 to the president of Madison, Tommy Trantham, according to records obtained by AP.

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Before his indictment last September, Hale tried to cut a deal with the U.S. attorney's office in Little Rock, saying he had damaging information about the Clintons and other political figures - but prosecutors brushed aside his offer.

That rejection by the U.S. attorney's office led to Republican accusations of a cover-up and to Justice Department lawyers from Washington taking over the Hale case. Ultimately, demands by some Democrats as well as Republicans on Capitol Hill led to Fiske's appointment by Attorney General Janet Reno.

Hale was originally accused of conspiring to defraud the SBA by inflating the value of his company in order to generate more federal money to lend. He also was charged with three counts of lying to the SBA in connection with that alleged conspiracy.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 21, 1994

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LEVEL 1 - 4 OF 13 ITEMS

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SHOW: NEWS 9:14 am ET

March 21, 1994

Transcript # 557-1

TYPE: Live Report

SECTION: News; Domestic

LENGTH: 2192 words

HEADLINE: Callers Express Views, Ask Questions About Whitewater

GUESTS: WILLIAM SCHNEIDER, CNN Political Analyst (LIVE)

BYLINE: DONNA KELLEY

HIGHLIGHT
CNN political analyst William Schneider takes viewers' questions on Whitewater. He points out that federal investigations into the scandal may cost more than was lost by the Madison savings and loan itself.

BODY
LEON HARRIS, Anchor: The expanding Whitewater controversy continues to dog President Clinton.

DONNA KELLEY, Anchor: And joining us now to talk about Whitewater is our political analyst William Schneider. He'll take your calls in just a minute, but first - Good morning, Bill.

WILLIAM SCHNEIDER, CNN Political Analyst: Good morning, Donna.

KELLEY: What do you think about the latest developments with Judge Hale and what he plans to tell a grand jury? Of course, we'll have to wait and see what he tells them, but what would you expect that might happen from this?

SCHNEIDER: Well, it could implicate Bill Clinton for the first time directly. There's been a lot of talk about Hillary Rodham Clinton's involvement in this, but Hale claims - and remember, he did this as part of a plea bargain where he was accused of criminal activity; he's pled guilty in return for his testimony - but he claims that then-Gov. Clinton pressured him to make a loan to Susan McDougal's public relations company, some of the proceeds of which went into the Madison savings and loan, which was connected to Whitewater. If so, that might be some improper activity being alleged on Gov. Clinton's part some years ago in Little Rock. We'll see how this testimony actually pans out and how credible he is as a witness.

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HARRIS: All right, let's go right to the phone calls now. First call from Pennsylvania - go ahead.

PENNSYLVANIA CALLER: Yes, good morning, Mr. Schneider. I have a comment and a question for you. I'm a small businessman from Pennsylvania, but I am also a Republican, and I have this question to ask you. We are very, very concerned here in Pennsylvania about health care and about the crime that's been rising, especially in Harrisburg and in some if the major cities here in and around Pennsylvania. And for the first time, I think I have to admit that I am behind President Clinton in terms of what he has been doing, and it bothers me to see this continuation of the Whitewater problem superseding everything else that we, as the American people, are looking forward in hoping that he we be able to do in 1994. I'd like to ask you this question - do you feel that the impact of the Whitewater will hinder him from doing this, and will it not go against all the principles that both Republicans and Democrats have been looking forward to in trying to get something through Congress for us, for the people who put him there?

SCHNEIDER: Well, yes, I do think it does hinder President Clinton's agenda. The president is frustrated by that, and so are many voters, including yourself. What's frustrating, I think, is that all the issues - and there've been maybe 10 or 12 different questions raised by Whitewater in both Little Rock and Washington - all of them involve possible conflicts of interest, possible wrongdoing, and serious cause for concern. However, there is yet no evidence of actual wrongdoing, despite Judge Hale's allegations that he made an improper loan, or, that he was pressured to do so by the governor; that's possible, but there is still no clear evidence of wrongdoing. So, a lot of Americans say, well, nothing has yet been uncovered, and that's true, although the investigation continues.

It does, however, divert attention from the president's agenda. It's likely to harm him because it weakens him politically. If he's strong and popular and effective, then he can get what he wants out of Congress. But if both his approval ratings, his image, and those of his wife, who's deeply involved in the policy process, are affected, then that's going to hamper his ability to get through his agenda.

KELLEY: Bill, the next caller is from Georgia. Hello? Good morning, Georgia, you're on the air.

GEORGIA CALLER: Yes, good morning, Mr. Schneider.

SCHNEIDER: Good morning.

GEORGIA CALLER: I was curious - every time you turn on the TV, every time you open up the newspaper or magazine, you read something about Whitewater. But the common theme seems to be that there's nothing illegal that the Clinton's have done, it's just been a lot of poor judgment. Well, I don't see how they can say 'nothing illegal' has been done. I mean, they have Vince Foster here - apparently committed suicide. Now, a lot of people are saying they're not sure it's suicide. How can they keep on saying there's nothing illegal?

SCHNEIDER: Well, there's no proof of any illegal activity. There is cause for concern and reason for suspicion on the part of the press and the president's

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enemies and critics. But when people say there is nothing illegal, they mean that nothing illegal has yet been proved. But there are lots of questions that have been raised, for instance, the possibility that illegal campaign contributions may have been funneled through the Madison Guaranty Savings & Loan, but we don't know if then-Gov. Clinton knew about it. There's the possibility of a cover-up because of some apparently improper meetings between the White House and the Treasury Department, but again, there's no clear evidence at this point that anything illegal happened. There's just the possibility of wrongdoing that's been raised so far, and that of course means that the press and some government agencies have an obligation to look into it.

HARRIS: - Next call for Bill Schneider this morning from Tennessee. Go ahead.

TENNESSEE CALLER: Yes, sir, I've got a quick comment and question, the first being it seems as though President Clinton is attempting to take a lot of credit for a lot of the things that have happened in his presidency thus far as far as accomplishments, and I think I'm not alone in the country when I feel that a lot of this in the first two years is accredited- should be accredited- to the former president, because I think it takes quite a lot longer than what he's attempting to make the American people believe to get things accomplished. And my question is, they seem to kind of skid this whole Whitewater situation off as something that's happened in the past, giving the appearance that they don't feel, even if improprieties are found, that anything's going to happen to them; they just keep kind of pushing this off to the side and making us all think, well, as long as it happened in the past that's where it should stay. What do you feel is going to end up being the end result should improprieties be found?

SCHNEIDER: Well, that's an interesting question. First of all, you're right that what has pushed this issue along is not evidence of wrongdoing, it's the behavior of the White House and the administration. They have behaved as if they have something to hide, which has driven up suspicions, baited the press, created material for their enemies to pursue- and their critics. They have violated what I regard as the first law of damage control, namely, let the worst information out first. They've been slow, they've been reluctant to divulge information, and people are wondering just what are all the facts behind this. And that's why I think this issue is continuing.

As far as blaming their predecessors or giving credit to their predecessors, every president, of course, points with pride to his accomplishment and views with alarm the situation that prevailed when he got elected. I think Bill Clinton is taking credit for the economic recovery - it did start under George Bush. But I think in some respects, a lot of what Clinton did, particularly in signaling some serious measures at deficit reduction, he does deserve some credit for.

KELLEY: We take a quick break here, and we come back with more of your phone calls for Bill Schneider, our political analyst. Our number is (404) 221-1855.

[Commercial break]

KELLEY: Welcome back to CNN Morning News about 18-1/2 minutes after the hour. Bill Schneider is with us - he's a political analyst - and we're taking your phone calls on Whitewater. Connecticut, you're on the air. Hello?

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CONNECTICUT CALLER: Yes, I would like to know how much all these investigations - both with the special prosecutor and with Congress - how much is that going to cost the American taxpayers, and is this amount of money going to be justified when we're kind of looking at, basically, a witch hunt?

SCHNEIDER: Well, it is going to cost quite a bit of money, probably in the tens of millions of dollars, maybe even over $100 million, because you've got two grand juries in Washington- one in Washington and one in Little Rock, you have a special counsel and a lot of awfully high-priced lawyers in on this case, and they've taken space in Little Rock for three years. You have the possibility of investigations in both the Senate and House. There's no way to estimate how much this is going to cost. Of course, it takes up a lot of the president's time, and everybody in the White House now has lawyers, some of whom are being paid by the taxpayer, most of them are not. You're dealing in tens of millions of dollars. Whether it's a witch hunt or not depends on which of the issue you're on.

HARRIS: And ironically, whichever way it turns out, it could cost more than the failure of the savings and loan itself in the first place.

SCHNEIDER: Yes, exactly. That was about $50 million dollars. This is likely to cost, I think, certainly more than that.

HARRIS: - Call from South Carolina, go ahead.

SOUTH CAROLINA CALLER: Well, I think the whole thing should be called 'The Whitewater Fishing Expedition.' And I think people like myself and the public are upset and angry because it looks like this whole thing has the potential to paralyze our country. And the media has made such a big deal out of it, and we all want to know where is the beef? How can this be happening when no charges or criminal activity has occurred, such as in Watergate?

SCHNEIDER: That's a key question, and that's the question you hear from an awful lot voters, because the problem has been that there has yet been on actual charge of wrongdoing by the president or the first lady. Suppose there were a charge of wrongdoing - what would happen? Well, the best legal opinions on this issue suggest that the president cannot be indicted while in office. He would have to be impeached and removed from office first, even for something that happened years ago. So, it creates a kind of paralysis, just as the caller indicated.

But again, what's been happening is week-by-week, day-by-day, more and more stories come out - today's story is about Judge Hale and his apparent testimony this week before the grand jury that he was pressured to make a possibly illegal loan by Gov. Clinton. Every week, sometimes every day, a new story comes out which raises more questions, creates more cause for concern, and necessitates further investigation. The story is driven on by its own momentum. But there is yet no actual charge of criminal activity made against the Clinton's.

KELLEY: Good morning, Tennessee, would you go ahead, please?

SECOND TENNESSEE CALLER: Yes, I'd like to make a comment and a question, please.

KELLEY: OK, quickly please.

SECOND TENNESSEE CALLER: My comment was, I'd like to know if the president really believes, you know, that the Whitewater is so important to him- I think he's got more important stuff that's pressing right now with our government than this going on. I know it's important to him, but I- the old saying they have, 'Rust does not sleep' - I believe the Republican Party is nothing more than rust. And that's a bad thing to say because I believe in this country. But my question is, do you think this is politics at its worst?

SCHNEIDER: Well, it's certainly politics. Whether it's at its worst or its best depends on what side you're on, and it's the way our politics is conducted more and more - personal allegations, character assassination. We see it in campaigns, we've seen it in virtually every president. Ronald Reagan had Iran-Contra, where of course, there was clear evidence in the end of wrongdoing, whether or not you believe the president knew about it, all the way back to Watergate.

President Clinton would like to get this issue off the agenda. It's pretty clear that that's why he appointed the special counsel, and every day the president says, let the special counsel do his job. The idea is he'll conduct a criminal investigation, and he'll do it in secret, and it will stay out of the front pages. But so far, the administration has not been successful in doing that because another sensational allegation surfaces almost every day.

HARRIS: All right - Bill Schneider, thank you very much for joining us this morning from Washington. We'll be talking about this, I'm sure, again in the future.

KELLEY: And thank you callers.

The preceding text has been professionally transcribed. However, although the text has been checked against an audio track, in order to meet rigid distribution and transmission deadlines, it may not have been proofread against tape.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 21, 1994

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LEVEL 1 - 5 OF 13 ITEMS

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The Houston Chronicle

March 21, 1994, Monday, 2 STAR Edition

SECTION: A; Pg. 5

LENGTH: 513 words

HEADLINE: Investor says first lady refused to give up land

BYLINE: HOWARD SCHNEIDER; Washington Post

DATELINE: LITTLE ROCK, Ark.

BODY

LITTLE ROCK, Ark. -- President Clinton's former partner in the White-water Development Corp. said last week that Clinton was ready to get out of the investment in 1986 but that Hillary Rodham Clinton insisted on staying in the land venture.

James B.McDougal, in an interview, described an angry conversation in December 1986 between Hillary Clinton and McDougal's then-wife Susan, who went to the Arkansas governor's mansion to ask that the Clintons sign documents transferring their interest in the 230-acre Whitewater project to the McDougals. The Clintons owned a half-interest in the venture.

Although then-Gov. Clinton had told the McDougals he was willing to sign the documents, Hillary Clinton refused, saying she hoped to use the Whitewater investment eventually to pay for her daughter Chelsea's college education, McDougal said.

At the time, the McDougals were under federal scrutiny for involvement in Madison Guaranty Savings & Loan, which failed in 1989 at an estimated taxpayer cost of $ 60 million.

As controversy over Whitewater has heightened, a key question for the Clintons has been why they remained in the land venture with McDougal long after he came under federal inquiry for unsound business practices. He was tried and acquitted of bank fraud charges in 1989.

McDougal's account is at odds with the Clintons' depiction of themselves as ""passive investors'' in Whitewater who were unable to divest themselves of their interest in the project until December 1992, when they sold their shares to James McDougal for $ 1,000. Senior White House adviser Bruce Lindsey said ""Mrs. Clinton has no recollection of ever making any such statement to Susan McDougal. ''

McDougal said he and Susan tried to take over the Clintons'

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interest in the corporation so they could take advantage of tax losses that had accumulated since 1978, when the two couples bought the Ozarks property for a resort development.

When Hillary Clinton insisted on staying in the project, said McDougal, cautioning that his account of the meeting was obtained secondhand from his wife, ""I found it rather laughable,'' because the land development company never had been profitable.

According to a report on Whitewater's finances issued during the 1992 presidential campaign, the company in 1986 had virtually no operating expenses. It owed between $ 50,000 and $ 60,000 on its original mortgage, but was due to receive much more than that -- about $ 100,000 -- from lot purchasers who were making monthly payments to the company.

Apparently without telling the Clintons, the McDougals purchased 810 acres of land from the International Paper Co. a few months earlier and put it and a $ 440,000 mortgage in Whitewater's name. Soon afterward, the property was transferred to another McDougal corporation, Great Southern Land Co

That transaction has come under scrutiny by special counsel Robert B. Fiske Jr., who is investigating Whitewater and its ties to Madison.

Susan McDougal, through her lawyer, would not comment.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 22, 1994

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LEVEL 1 - 6 OF 13 ITEMS

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The Houston Chronicle

March 21, 1994, Monday, 2 STAR Edition

SECTION: A; Opinion; Pg. 14

LENGTH: 900 words

HEADLINE: Administration secrecy courts disaster

BYLINE: DAVID BRODER

BODY

THE controversy over congressional hearings on the Whitewater case has been partially defused by the agreement between George Mitchell, D-Maine, and Bob Dole, R-Kan., the Senate majority and minority leaders, that at some unspecified time, some Senate committee will examine the matter. But an immediate test of congressional-executive relations looms this week in the House of Representatives.

It took shape two days before the Mitchell-Dole agreement when Rep. Lee Hamilton, D-Ind., joined Rep. Jim Leach, R-Iowa, in saying that lawmakers should examine whether there had been any abuse of power in the tangled story of the real estate and savings and loan dealings involving President Clinton and first lady Hillary Rodham Clinton.

I have been -- and remain -- skeptical that there is anything more than embarrassment for the first couple at the end of the Whitewater trail. But Hamilton and Leach are not people whose views on matters of this kind can be brushed aside. As much as any two people on Capitol Hill, they represent the conscience of Congress on this sort of issue.

Leach has been pressing hard for the House Banking Committee to exercise its oversight function on the Resolution Trust Corp.'s handling of Madison Guaranty Savings and Loan, the outfit that bankrolled part of the Whitewater venture before it went bust.

Leach, the ranking Republican on that committee, has been stonewalled by Chairman Henry B. Gonzalez, D-San Antonio.

The Democrats are messing with the wrong guy. Leach is as dogged as he is independent. Twenty years ago, as a young foreign service officer, he resigned his commission because he felt he could not in good conscience represent a government whose head -- Richard Nixon -- was obstructing justice. Leach was also one of the first members of Congress to blow the whistle on the bipartisan cover-up of the 1980s savings and loan scandals. He is not a man whose words should be dismissed.

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Hamilton enjoys the same reputation.

He was one of the Iran-Contra investigators who laid out the sordid story of that chapter of U.S.diplomatic history. He showed his disdain for political opportunism two years ago when he conducted an investigation of charges that George Bush had participated in secret meetings with Iranian agents aimed at delaying the release of the U.S. hostages until after the 1980 elections. Whatever hopes other Democrats had entertained of embarrassing the president four months before Election Day 1992 ended when Hamilton bluntly said that ""all credible evidence'' contradicted that claim.

Hamilton said in a statement last week that ""when a complicated issue such as the Whitewater matter is affecting the president's agenda, he must get all the facts out quickly and completely. '' Congressional hearings would do that, he said.

Clinton responded that Hamilton should talk to special counsel Robert B. Fiske Jr., who has all aspects of Whitewater and its handling by the White House under scrutiny. Hamilton said Clinton seemed to think ""it should be dealt with on a criminal liability level, but I'm thinking much more broadly. There's a question of confidence -- the perception people have about him and the way his presidency works. ''

In a separate interview, Leach argued that it is also a question of ""legislative integrity,'' the willingness of the Democratic-controlled Congress to exercise its oversight responsibilities. In taking the argument in this direction, Leach has raised an issue that is, as he says, ""far more important than any happenstance, any impropriety or any embarrassment involving the president before he took office. ''

Gonzalez has rejected Leach's list of witnesses for the oversight hearing on the RTC, which the committee is supposed to have on Thursday. Gonzalez also has instructed executive agencies to ignore Leach's requests for information on Madison Guaranty -- a step Leach calls unprecedented.

Leach says that if he is permitted, he will present evidence suggesting that employees in the Kansas City field office of RTC were ""gagged'' and ""possibly coerced'' by higher-ups to minimize the Clintons' connection with Madison Guaranty. The merits of this charge remain to be determined, but the seriousness of the alleged abuse and Leach's reputation for probity make the Democrats' obduracy hard to defend.

Nor is this an isolated incident. Rep. William F.Clinger Jr., R-Pa., the ranking minority member of the House Government Operations Committee, has a long list of topics on which he has been refused information by the White House. They range from the workings of Hillary Rodham Clinton's task force on health care to the actual size of the White House staff to the firings in the

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White House travel office. On each one, he was roadblocked by recently resigned White House counsel Bernard Nussbaum.

Leach draws the political point when he links the effects of ""single-party control of state government'' in Arkansas to ""single-party control of Washington'' by the Democrats today.

During the campaign, Clinton and the congressional Democrats argued that single-party control would mean greater accountability and an end to gridlock. They are courting political danger if their behavior leads voters to believe it really translates into secrecy and cover-up.

LANGUAGE: ENGLISH

TYPE: Editorial Opinion

NOTES: Broder, a Pulitzer Prize-winning political reporter, writes a nationally syndicated column from Washington.

LOAD-DATE-MDC: March 22, 1994

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LEVEL 1 - 7 OF 13 ITEMS

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Los Angeles Times

March 21, 1994, Monday, Home Edition

SECTION: Part A; Page 12; Column 1; National Desk

LENGTH: 1347 words

HEADLINE: FORMER JUDGE, ACCUSED OF FRAUD, TRIES TO IMPLICATE CLINTON; INQUIRY: HE REPORTEDLY PROMISES SPECIAL COUNSEL HE WILL TELL OF PRESIDENT'S WHITEWATER ROLE. WHITE HOUSE DISCOUNTS CHARGES BY DAVID HALE.

BYLINE: By SARA FRITZ and WILLIAM REMPEL, TIMES STAFF WRITERS

DATELINE: LITTLE ROCK, Ark.

BODY

David Hale seems like the last person who should be hurling unsubstantiated accusations of criminal wrongdoing at the President of the United States.

A former Municipal Court judge, Hale himself stands accused of conspiring to defraud the government of $900,000 through phony financial transactions.

"I haven't been a saint," he concedes.

Yet despite his own legal problems, Hale has been successful in getting people to listen to his allegations that President Clinton was a co-conspirator in some of his alleged financial misdeeds.

The White House has discounted Hale's story as a complete fabrication. Betsey Wright, a top aide to Clinton when he was governor of Arkansas, says the tale is "filled with absolute lies."

Nevertheless, legions of Democrats, Republicans and other interested observers are watching to see if Hale will back up any of what he has alleged with hard evidence.

Several sources reported Sunday night that Hale had reached a plea agreement with special counsel Robert B. Fiske Jr. under which he agreed to tell a federal grand jury what he knows about Clinton's involvement in the Whitewater controversy.

Hale is expected to enter a plea Tuesday in federal court. A guilty plea would clear the way for him to begin testifying Tuesday before a federal grand jury.

His testimony could lead to embarrassing public disclosures for the Arkansas political Establishment, including the Clintons.

Fiske had identified Hale as a potential witness in his probe of whether Clinton improperly benefited from his investment in a Ozarks real estate

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development company when he was governor.

To date, Hale, who served as a municipal judge (appointed by then-Gov. Clinton) until he was indicted, has not had an opportunity to tell his story in detail to Fiske or any other authorities -- only to members of the news media who have come to Little Rock to cover the Whitewater controversy.

Hale went public with his charges late last year after federal prosecutors refused his efforts to use the information to negotiate a plea bargain.

As Hale tells it, his financial and legal troubles stem directly from his allegiance to Clinton and his willingness to help what he describes as the President's "political family" in Arkansas. It was out of loyalty to Clinton, he says, that he began making improper loans from his family's investment company to friends and associates of the then-governor.

While also working as a judge, Hale ran Capital Management Services Inc., a firm subsidized by the Small Business Administration to loan long-term venture capital to minority and disadvantaged borrowers. Together with his wife and sister, he said, he invested about $500,000 in the firm, and the SBA had added $1.5 million to create the investment pool he managed.

Hale says he was approached for money in late 1985 by attorney Jim Guy Tucker, now the governor of Arkansas, and James B. McDougal, owner of Madison Guaranty Savings & Loan. McDougal and Tucker were partners in several business deals, just as McDougal and Clinton were joint investors in the real estate venture known as Whitewater Development Corp.

Hale says McDougal's real estate deals had put Madison Guaranty on the brink of insolvency and he wanted loans from Hale to help save it. Eventually, Hale would lend a total of $700,000 to McDougal-related enterprises, none of which was ever repaid.

Clinton's name was mentioned in connection with the initial loan request, according to Hale. When Hale ran into Clinton in the rotunda of the state Capitol a short time later, he said, the governor made it clear that he wanted the loans to be made "to help Jim (McDougal) and me out."

Acting at McDougal's direction, Hale said, he loaned $50,000 to a former Clinton aide and campaign adviser; $260,000 to a real estate development partnership including Tucker, and $100,000 to a McDougal real estate venture in Nova Scotia. Although the loans apparently breached SBA rules, Hale claims that it never occurred to him that he could refuse.

"No, I didn't ask any questions," he said. "That's just how it's done here."

On an evening in February, 1986, Hale claims, he went to an office on the outskirts of Little Rock to meet with Clinton and McDougal, who wanted him to make another loan for $150,000. McDougal later upped the request to $300,000.

It was agreed at that meeting, Hale said, that the loan would be made to McDougal's then-wife, Susan, to satisfy government regulations that SBA-backed loans be made to disadvantaged people. Her loan application suggested she had been denied loans from regular sources because she was from an impoverished

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background.

As collateral for the loan, according to Hale, Clinton offered to put up some raw land in the Ozarks. But Hale declined on grounds the government does not regard undeveloped land as reliable collateral. "At that time," Hale said, "I'd never heard of Whitewater Development."

Of the $300,000 Hale loaned to Susan McDougal's Master Marketing firm, a subsidiary of Madison Guaranty, $110,000 was diverted into the Whitewater venture. It is not known where the rest of the money ended up.

Because Hale's firm had no money left to lend at the time of the alleged Clinton request, he says he and McDougal cooked up a complex transaction designed to persuade SBA officials to provide additional funds for the deal.

It happened this way, according to Hale: McDougal arranged for Hale to sell a piece of property the judge owned at a grossly inflated price of $825,000. McDougal financed the sale with a loan from Madison Guaranty. In reality, the property was worth no more than $400,000, and Hale's equity was only $100,000.

Hale said he then put the "profits" into his SBA-backed investment corporation and used that money to persuade the government to give him another $1 million. Typically, the SBA requires the owner of the investment corporation to raise a third of the money while the government supplies the rest.

Flush with new capital, Hale says he was then able to make the new loan to Susan McDougal's firm.

Hale has never been charged with any crime in connection to the loans related to Madison Guaranty, which failed in 1989, but he is accused of defrauding the government using a similar scheme three years later.

In the later instance, he is accused of borrowing $800,000 from a Shreveport, La., man and passing it through his accounts to deceive the SBA into giving him another $900,000. As part of his defense to those charges, Hale claims that he became involved in the scheme in an effort to make up the money lost in the McDougal loans.

Both Clinton and McDougal deny that they attended the meeting at the center of Hale's story. McDougal concedes that $110,000 of the loan money was diverted to Whitewater Development, but he insists that Clinton knew nothing about it and that he was managing the investment.

Fiske, a Republican appointed by Atty. Gen. Janet Reno to investigate the Whitewater case, has said that looking into Hale's story will be a "fundamental part" of his investigation.

But Fiske had also said he is skeptical of Hale's effort to use the story about Clinton as a defense against charges against him.

Hale admits that he is trying to trade his testimony against Clinton for leniency.

But it won't be easy for Hale to establish his credibility. Evidence collected by Fiske includes a 1987 financial report that quotes Hale defending

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the soundness of a loan now known to be a phony transaction.

Randy Coleman, Hale's Little Rock attorney, said his client is determined to testify about the role that Clinton and Tucker played in his downfall.

As he awaits his day in court, Hale portrays himself as a scapegoat who is being forced to take the blame for cooperating with some of Arkansas' leading Democrats.

"I don't think it's right for me and my family to be left alone bearing the consequences of what was really Arkansas politics as usual," he said. "I guess I thought when things got bad for me, the 'political family' would be there for me like I was there for them."

GRAPHIC: Photo, Former Judge David Hale leaves courthouse after March 1 hearing. Sources say he will enter a plea Tuesday and testify to a grand jury. Associated Press

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 22, 1994

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LEVEL 1 - 8 OF 13 ITEMS

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The New York Times

March 21, 1994, Monday, Late Edition - Final

SECTION: Section B; Page 7; Column 1; National Desk

LENGTH: 803 words

HEADLINE: Whitewater Prosecutor Agrees on Plea Bargain

BYLINE: By JEFF GERTH, Special to The New York Times

DATELINE: WASHINGTON, March 20

BODY

David Hale, a former municipal judge in Little Rock, Ark., who was facing trial on fraud charges later this month, has reached a plea agreement with the special prosecutor investigating the Whitewater affair, said Mr. Hale's lawyer, Randy Coleman.

Mr. Hale has said that Bill Clinton as Governor of Arkansas twice pressed him in 1985 and 1986 to make a loan from the federally sponsored lending company he then operated. The loan would have indirectly helped the Whitewater Development Company, the real estate venture involving Mr. Clinton and his wife, Hillary, as well as Madison Guaranty Savings and Loan.

Both Madison Guaranty, an Arkansas savings and loan that collapsed, and Whitewater are part of the investigation by the special prosecutor, Robert B. Fiske Jr., as is Mr. Hale's case.

The White House has said President Clinton has no recollection of any conversation with Mr. Hale about loans.

Mr. Coleman, in an interview today, said that Mr. Hale would plead guilty to one count of conspiracy in connection with his lending company and one count of mail fraud in connection with his dealings with Madison Guaranty. Mr. Hale had been indicted on charges of fraud, conspiracy and making false statements to the Small Business Administration. Mr. Coleman's description of the plea agreement, which he said would be presented in Federal District Court in Little Rock, on Tuesday, could not be confirmed with Mr. Fiske, who did not respond to telephone messages left for him today.

Mr. Coleman said Mr. Hale had been cooperating with investigators working for Mr. Fiske for the past two weeks. The significance of Mr. Hale's plea agreement is not clear. Mr. Coleman said the plea agreement barred his client from talking to reporters.

Mr. Hale had been active in Democratic politics and campaign fund raising and was elected a municipal judge running on the Democratic ticket. In addition, the current Arkansas Governor, Jim Guy Tucker, also a Democrat, did legal work for his company.

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Given Mr. Hale's wide knowledge of Arkansas Democratic politics and his past dealings with Madison and its owner, James B. McDougal, his decision to cooperate with Mr. Fiske's inquiry means that investigators now have a former insider able to describe for them many financial and political relationships in Arkansas in the 1980's.

Mr. Hale owned and operated Capital Management Services, which received financial backing from a Small Business Administration program intended to provide capital for businesses owned by disadvantaged people.

Mr. Hale, in interviews before his plea deal, said Mr. McDougal, the owner of Madison Guaranty and the person who brought the Clintons into the Whitewater venture, asked him in late 1985 to make loans to help the "political family" of Arkansas Democrats.

In February 1986, Madison financed a land deal for Mr. Hale, which he says led to his receiving hundreds of thousands of dollars more for his property than it was worth. Court records show that a Madison loan to finance the purchase of the land from Mr. Hale was never repaid, resulting in a loss to taxpayers of $672,000.

With profits from that deal in hand, Mr. Hale's company made a number of loans to people connected to Arkansas Democratic politics. The largest was a $300,000 loan in April 1986 to Mr. McDougal's wife, Susan. Mr. Hale has asserted that both Mr. Clinton and Mr. McDougal pressed him to make the $300,000 loan, knowing that it would not be used by Mrs. McDougal.

Mr. Hale said he understood that the purpose of loan, as described by Mr. McDougal with Mr. Clinton present, was to help conceal questionable transactions by Madison, including indirect financial help for Whitewater.

Mr. McDougal, when asked last September in an interview about Mr. Hale's version of the loan and the role of Mr. Clinton, said he had a memory loss for the years 1985 and 1986. Subsequently, Mr. McDougal denied Mr. Hale's account and said that Mr. Clinton had never met with Mr. Hale.

It is not clear what happened to the $300,000. But some money from the loan appeared to wind up for a while in 1986 in Whitewater as part of a land deal. Mr. McDougal has said that the Clintons, his partners in Whitewater, were unaware of that transaction.

Mr. Hale's own legal problems, which originally involved transactions unrelated to Madison or Whitewater, became enmeshed in the more politically sensitive Whitewater case after he was indicted last September by the United States Attorney in Little Rock, Paula J. Casey.

Before the indictment, Mr. Coleman, Mr. Hale's lawyer, questioned Ms. Casey's independence. She was a volunteer in Mr. Clinton's Arkansas campaigns and was his student at the University of Arkansas Law School. The case was eventually transferred to the special prosecutor, Mr. Fiske.

GRAPHIC: Photo: David Hale (Associated Press)

LANGUAGE: ENGLISH

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LOAD-DATE-MDC: March 21, 1994

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LEVEL 1 - 9 OF 13 ITEMS

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March 21, 1994, Monday, Late Edition - Final

SECTION: Section A; Page 17; Column 6; Editorial Desk

LENGTH: 733 words

HEADLINE: Essay;
Leach Vs. Gonzalez

BYLINE: By WILLIAM SAFIRE

DATELINE: WASHINGTON

BODY

Eight members of the great Chicago White Sox team had just been indicted for conspiring with gamblers to throw the 1919 World Series. A young fan, tears in his eyes, ran up to Shoeless Joe Jackson and pleaded: "Say it ain't so, Joe."

I feel that way about House Banking Chairman Henry Gonzalez. He was my hero. For years, while Beltway elitists joined bankers' lobbyists to scoff at his ponderous style, I admired his courage in taking on the titans of the executive branch and the regulatory agencies.

Long before the Banca Lavoro affair blossomed into the Iraqgate scandal, it was San Antonio's Henry Gonzalez who saw through the flimflam of the U.S. Attorney in Atlanta. Chairman Gonzalez, droning on late at night to an empty House chamber, put into the Congressional Record evidence of the Justice Department's connivance in silencing inquiry into President Bush's misbegotten financing of Saddam Hussein.

That was during a Republican Administration. Surely, I thought, when the moment came for investigation into the savings and loan debacle and abuse of Federal power in discouraging and "monitoring" of criminal referrals of bank regulatory agencies, Chairman Gonzalez would see his nonpartisan duty and lead the way in Whitewater, no matter what the pressure from Democratic satraps.

Last month, as evidence mounted of White House and Treasury meddling in a banking prosecution -- and as the need for the Banking Committee's oversight became urgent -- I called my frequent source and asked: Henry, where are you?

"As soon as I see some legislative purpose to hearings," he promised, "I'll hold them." Pressed about the oversight responsibility of his Banking Committee, Chairman Gonzalez pointedly noted that "several crack staffers" from the Republican minority were hard at work and he would study their findings. I wrote reassured; Henry might not be in the forefront, but would do the right thing.

What a foolishly idealistic pundit am I. That was before staffers working for Representative Jim Leach, the soft-spoken Iowan who is the Banking Committee's ranking Republican, began hitting pay dirt about the costly manipulation of

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Madison Guaranty by the Clintons' lawyers and partners.

At that point, Henry the Unstoppable was transformed into Henry the Stopper. Nothing is subtle about the Gonzalez stonewalling: never in the history of the United States Congress has there been such a blatant effort by a committee chairman to protect the White House by strangling a needed investigation in its crib.

Hearings? Henry won't hear of them. Although he cannot block the lawfully mandated semiannual oversight hearing of the Resolution Trust Corporation, he insists that all the witnesses be jammed into a single day on Thursday of this week. When Jim Leach offered to postpone this hearing a few weeks to accommodate the nonindependent counsel's desire for first bite at the testimony apple, Henry said nothing doing: one day now or never.

Worse, by notifying Administration witnesses called by Representative Leach that they do not have to cooperate, he undermines the House's power to check the executive branch. This is unprecedented partisanship, probably against House rules, but the Democrat in the Speaker's chair, Tom Foley, isn't enforcing rules that might embarrass Democrats.

Who is this Leach? He's the last of the Rockefeller-Javits Republicans, a pariah at national conventions; yet this unreconstructed moderate is shrilly denounced as politically motivated by Clinton crony David Wilhelm, the Democratic National Committee's pit chihuahua.

Henry, listen to your longtime admirers: you are turning Thursday's hearing into a televised trial of the Democratic stonewall. Every time Leach asks a searching question on C-Span, and you rule it out of order or not germane -- that will infuriate the watching public. Every wrongful rap of your gavel will drive a nail in the Administration's coffin.

Repent before it's too late. Don't fall for "unless it's criminal, it remains secret." Remember Shoeless Joe, acquitted by a jury, but driven from the playing field forever by the overseer demanded by the fans.

Do not bring shame and obloquy on the good citizens of San Antonio, and on Clinton voters everywhere, by exchanging your hard-earned reputation as fearless maverick for the shoddy shield of partisan hypocrite.

Say it ain't so, Henry.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 21, 1994

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LEVEL 1 - 10 OF 13 ITEMS

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USA TODAY

March 21, 1994, Monday, FINAL EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 295 words

HEADLINE: First lady 'holding up' but allegations hurt

BYLINE: Elizabeth Neus, Gannett News Service

DATELINE: ARLINGTON, Va.

BODY

Hillary Rodham Clinton says public suspicions about Whitewater have left her saddened, but confident of vindication.

"I'm holding up fine, except that it's lonely in the bunker," she told a Gannett and USA TODAY luncheon on Saturday.

"You know, it breaks my heart for people to think that either my husband or I did anything wrong," she said. "It's very painful. But I guess that's the way it's played today."

-- On a New York Times report she made $ 100,000 by taking investment advice from a lawyer for Arkansas' largest employer while Bill Clinton was governor:

"When I'm asked if I made money in commodities trading in 1978 and 1979, the answer is yes," she said. "I didn't know there was anything wrong with having a stock account and trading futures."

She stopped trading, she said, "because I got pregnant and had a baby and couldn't stand it - it was too nerve-wracking. So I don't know where the story is there."

She added: "I suppose the headline would be, 'Don't make money and don't lose money.' "

-- On Whitewater:

"We made a land investment when land looked like it was going to keep going up in Arkansas, and it went down, and we lost money. And we didn't pay much attention to it, because we weren't responsible for it."

-- On the investigation:

"We've waived every privilege known to man or president; we have given every scrap of paper. I wish the (special counsel's) report could be written tomorrow.

"We did not keep the books and records of that little company; we never had

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an S&L loan; we never did any business with an S&L; we had commercial bank loans; we paid every one of them back.

"We turn over all our tax information every year to certified CPAs; they fill out our tax returns for us.

"I don't know what else to say."

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LEVEL 1 - 11 OF 13 ITEMS

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USA TODAY

March 21, 1994, Monday, FINAL EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 522 words

HEADLINE: Congress mapping Whitewater inquiry

BYLINE: Leslie Phillips

BODY

Republicans try to tighten the screws on President Clinton and Hillary Rodham Clinton this week as Congress inches closer to hearings on the Whitewater land deal.

Senate leaders will meet to chart a course for future hearings, while a House panel holds a session on the oversight of failed savings and loan institutions, during which Whitewater is expected to come up.

At issue is the Clintons' investment in the Whitewater Land Corp., with partner James McDougal, head of the defunct Madison Guaranty Savings & Loan, and whether administration officials tried to head off a federal investigation of the institution.

Senate Minority Leader Robert Dole, R-Kan., said Sunday on NBC's Meet the Press that he and Majority Leader George Mitchell, D-Maine, will meet Tuesday and Wednesday "to try to structure hearings and to figure out when they would start."

"Let's get the facts out. If there's nothing there, there's nothing there."

Special counsel Robert Fiske has asked Congress to hold off on hearings until he's completed his initial questioning of White House and Treasury officials who met last fall and this spring about the federal probe of Madison.

On Thursday, House banking committee Chairman Henry Gonzalez, D-Texas, is expected to convene a hearing, required by law, to monitor the Resolution Trust Corp., the agency responsible for the savings and loan cleanup.

Ranking Republican Rep. James Leach, R-Iowa, issued a list of 40 people connected to Whitewater whom he wants to call as witnesses. But Gonzalez has said he will not allow the hearing to veer off track.

If witnesses are barred, Leach said he will "lay out the precise reason for their relevance." Other developments:

-- Amid indications the Clintons underpaid some past income taxes, the White House said "any amounts underpaid will be paid." Their tax returns "have been professionally prepared by qualified CPAs.

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The April issue of Money magazine, which reviewed the Clintons' taxes for the past 12 years, says they underpaid by about $ 16,000.

-- Hillary Clinton reaped $ 100,000 in the commodities market with the help of a close family friend who also was a top lawyer for a major Arkansas employer, it was reported.

The New York Times reported Friday James Blair, chief outside lawyer for Tyson Foods Inc., the nation's largest poultry company, advised Hillary Clinton shortly before her husband became governor in 1978.

Tyson subsequently benefited from state actions, including environmental regulations. The U.S. Agriculture Department has delayed tightening the standards for poultry contamination.

-- The Washington Post reported Saturday that the Rose Law Firm asked the Arkansas bar association to investigate Webster Hubbell, who resigned last week as associate attorney general, for overbilling and other expense irregularities.

-- David Hale, a former judge who linked President Clinton to a questionable loan in the Whitewater affair, apparently reached a plea agreement and will avoid trial, NBC News reported. It said he's agreed to tell a federal grand jury all he knows about Clinton's Whitewater involvement.

GRAPHIC: PHOTO, b/w, Paul J. Richards, Agence France-Presse

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LEVEL 1 - 12 OF 13 ITEMS

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The Washington Times

March 21, 1994, Monday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1068 words

HEADLINE: Hale to detail Clinton's role in Whitewater ;
Ex-judge strikes plea deal with Fiske

BYLINE: Jerry Seper; THE WASHINGTON TIMES

BODY

A one-time Arkansas judge who has accused President Clinton of pressuring him into making a fradulent Small Business Administration-guaranteed loan has agreed to enter a guilty plea tomorrow in exchange for testimony to a federal grand jury investigating the Whitewater-Madison affair.

David L. Hale, scheduled to go to trial March 28 on four felony charges, reached the plea agreement with Whitewater-Madison special counsel Robert B. Fiske Jr., and it has been approved by U.S. District Judge Stephen Reasoner, who is presiding over the Hale case, according to law enforcement officials.

He was a judge in Little Rock Municipal Court, by appointment by Bill Clinton when he was the governor of Arkansas, until shortly before he was indicted last year.

By entering the negotiated plea in U.S. District Court in Little Rock, Mr. Hale will avoid going to trial on one count of conspiracy to defraud the SBA and three counts of making false statements. The agreement is said to spare Mr. Hale the threat of a prison sentence.

In exchange, the officials said, Mr. Hale has agreed to "tell the grand jury anything and everything he knows about the SBA loan [that he alleges was made at Mr. Clinton's request] and about any other things he knows related to the Whitewater-Madison investigation."

Mr. Fiske, Mr. Hale and Mr. Hale's attorney, Randy Coleman of Little Rock, were unavailable for comment late yesterday. The plea agreement was first reported last night by NBC News.

Mr. Hale, indicted Sept. 23 on a charge of defrauding the Small Business Administration on unrelated loans, has charged that Mr. Clinton and James B. McDougal, president of Madison Guaranty Savings and Loan Association, pressured him in 1986 for a $300,000 SBA loan, saying they needed to "clean up" some financial problems.

The three decided to name Mr. McDougal's wife, Susan, as the loan applicant

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because the loans were intended by law to be made to women and members of minorities who could not easily qualify for loans by commercial banks downtown. They calculated that as a woman she could qualify, Mr. Hale said.

Mr. and Mrs. McDougal, who have since divorced, were partners with Bill Clinton and Hillary Rodham Clinton in the Whitewater Development Corp., a real estate venture on the White River deep in the Ozarks.

About a third of the SBA loan that went to Mrs. McDougal's company, Master Marketing, from Mr. Hale's lending company, Capital-Management Services Inc., eventually wound up in the Whitewater account. The loan was never repaid.

White House spokeswoman Dee Dee Myers has called Mr. Hale a liar, saying he was trying to "save his butt" on the eve of an indictment.

But a pretrial witnesss, Gayland Westbrook, a Monroe, La. businessman, testified on Feb. 28 that Mr. Hale openly boasted to him in August 1989 - four years before the federal charges against Mr. Hale - that Mr. Clinton was actively involved with Capital-Management operation.

When asked about Mr. Hale's allegation of a meeting with Mr. Clinton during which the $300,000 SBA loan was said to have been structured, Miss Myers said the president did not "recall" any such meeting and had "no recollection" about efforts to pressure the former judge for an SBA loan.

Mr. McDougal has said he never discussed the loan with Mr. Hale, terming the allegation "ridiculous."

Mrs. McDougal, who faces unrelated fraud charges in Los Angeles, has not been available for comment. She told The Washington Post she does not remember the $300,000 loan.

Assistant special counsel Denis J. McInerney, who is handling the Hale prosecution, said in a recent court filing that "in order to conduct the investigation into Hale's allegation regarding President Clinton, it is necessary to try this case."

Mr. Hale is accused of putting $800,000 into a Capital-Management account long enough to qualify for additional SBA money before diverting it to other accounts. The conspiracy and false-statement charges are derived from that effort to influence the SBA.

The charges against Mr. Hale do not relate specifically to the Whitewater-Madison affair, but Mr. Hale's assertions that he conspired with Mr. Clinton and Mr. McDougal to defraud the SBA have made the case a major starting point for Mr. Fiske and his staff.

"There's no doubt that Hale's involvement was ongoing and constant and involved quite a number of people tied to Clinton," one federal law enforcement official familiar with the Whitewater-Madison probe told The Washington Times earlier this year. "In words that everyone understands, David Hale was their piggy bank."

Mr. Hale was a longtime Democratic Party activist in Arkansas before he was

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appointed to the bench by Gov. Clinton.

Mr. Fiske's team and federal investigators who preceded him have identified Mr. Hale as a major source of loans to several Little Rock businessmen and politicians.

Many of the Small Business Administration-guaranteed loans he issued were tied to Madison and several involved Mr. Clinton's friends and associates. Most of the loans, according to SBA records, were never repaid.

At a pretrial hearing this month, a lawyer said there would be testimony in the Hale case that proceeds from "bogus loans" went to important political figures in Arkansas. The lawyer did not elaborate.

When the FBI raided Mr. Hale's office last July, investigators seized thousands of pages of loan documents - a trail that led straight to Arkansas political figures and to Madison.

Some $900,000 from Madison flowed into Mr. Hale's company over the years, Mr. McDougal said in a recent interview.

About $250,000 from Mr. Hale's firm went to companies associated with current Arkansas Gov. Jim Guy Tucker and his wife.

Also, Mr. Hale loaned $100,000 to the president of Madison, Tommy Trantham, according to records obtained last week by the Associated Press.

Before his indictment last September, Mr. Hale tried to cut a deal with the U.S. Attorney's Office in Little Rock, saying he had damaging information about the Clintons and other political figures - but his effort was brushed aside.

* This article is based in part on wire service reports.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 21, 1994

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LEVEL 1 - 13 OF 13 ITEMS

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The Washington Times

March 21, 1994, Monday, Final Edition

SECTION: Part A; Pg. A15

LENGTH: 601 words

HEADLINE: Dole shrugs off Goldwater's heeding

BYLINE: Ronald A. Taylor; THE WASHINGTON TIMES

BODY

Senate Minority Leader Bob Dole yesterday dismissed former Sen. Barry Goldwater's call for easing up on Republican criticism of President Clinton and continued to press for hearings on the Whitewater-Madison affair.

"He forgot what he said in 1973," Mr. Dole said of the one-time conservative leader on NBC-TV's "Meet the Press."

"If you read his book on Nixon, he said just the opposite, that Nixon should get off his . . . and tell the American people all he knew about Watergate. So either he was right then and wrong now or wrong then and right now. He was probably wrong both times."

Hearings are part of Congress' mandate to resolve unanswered questions about the land deal and Madision Guaranty Savings and Loan Association, Mr. Dole said.

"That's where Congress has a responsibility, just as they had for about 25 times with the Republican presidents. Congress investigated the executive branch 25 times during the Reagan and Bush years, and you can't hide behind the special counsel," he said.

Appearing with him on the program, House Majority Leader Richard Gephardt said the Whitewater-Madison affair should be a limited element in the annual oversight hearings into the operations of the Resolution Trust Corp.

"Mr. Fiske says he's going to be finished with the Washington part of the Whitewater case in three or four weeks. Why would we want to put witnesses on next Thursday that would injure or damage what he is trying to find out about and will report on in three or four weeks? It just doesn't make any sense," Mr. Gephardt said.

Mr. Dole responded: "We don't want to interfere with his investigation, but we don't believe we have to wait till he shoots the firing pistol and says, 'OK, you can start now.' "

In his remarks, Mr. Dole reasserted the need for hearings into President

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and Mrs. Clinton's ties to a failed land deal and the bankrupt thrift institution in their home state, drawing a distinction between the congressional oversight about to get under way this week and the mandate of special counsel Robert B. Fiske.

The Kansas Republican referred to the special counsel as "a government employee" and said, "Our responsibility is greater than Mr. Fiske's.

"Is it more important to have somebody prosecuted or is it more important to make certain that the laws are upheld?" he said.

"The important thing is that Congress has a responsibility and the longer we wait, the more it's going to smell to the American people."

Mr. Gephardt who continued to soft-pedal the extent to which the Whitewater land deal and the Madison S&L will be examined during RTC oversight hearings before the House Banking Committee set to begin Thursday.

The Missouri Democrat said the upcoming hearing should be limited to Resolution Trust Corp. matters.

"Some questions which relate can be brought up and probably will be brought up. I think most of it has to happen after Fiske finishes that part of it, and then the rest of the case as he finishes different parts of the case," he said.

Mr. Gephardt's concerns center on the announced intention of Rep. Jim Leach, Iowa Republican and banking committee member, to ask pointed questions about Madison Guaranty and the Whitewater deal.

Mr. and Mrs. Clinton have claimed losing $68,900 on the deal. Their former partner and owner of Madison Guaranty puts their loss at $13,500.

Speculation is increasing, too, that the Clintons may have underpaid their income taxes over the past 15 years.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 21, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Trudy Walsh
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 17, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are fourteen (14) news articles from Nexis, relating to Madison Guaranty, dated March 16, 1994.

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RECEIVED

LEVEL 1 - 1 OF 14 ITEMS

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CNN

SHOW: Sonya Live 1:00 pm ET

March 16, 1994

Transcript # 506

TYPE: Show; Interview

SECTION: News; Domestic

LENGTH: 4218 words

BODY

SONYA: There seems to be a rule: If it smells, it stinks. But does the mere whiff of scandal mean pulling out all the heavy media guns? And does it matter how deep 'Whitewater' runs?

ANNOUNCER: Live from CNN New York, intelligent talk for intelligent people with Dr. Sonya Friedman.

SONYA: During this hour, there will be a live press conference with President Clinton and Prime Minister of Israel Yitzhak Rabin. And we will go to the White House live for that when it occurs.

So how much fire is there, really, behind the smoke of Whitewater? Whitewater: kind of a catchy name, isn't it? But is there really any scandal there, and will we ever know?

To the sources of Whitewater: Little Rock. Suneel Ratan, who's been in Little Rock working the story for the last three months. He is a correspondent for Time magazine.

[interviewing] Now that you've been digging around there for several months, what have you found, and how far will this story really go?

SUNEEL RATAN, 'Time' Magazine: I think, recently, a lot of the story has moved back to Washington; it hasn't been so much in Little Rock. And I think that's what's really grabbed the public attention. How far will it go? Well, who really knows? I mean, on good days, it looks like there's something here. And on other days, it looks like this is a nothing story. So we just keep ticking.

SONYA: Suneel, what would be a worst-case scenario?

Mr. RATAN: A worst-case scenario? The worst-case scenario is that one can prove that money- that Whitewater was basically used to funnel money from Madison Guarantee Savings and Loan, which was owned by the Clinton's Whitewater partner, to Clinton campaigns. That would be the worst-case scenario.

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SONYA: And Vincent Foster, have you seen, heard anything more on that?

Mr. RATAN: No. That's really a Washington story, so I don't think anybody down here has been paying that much attention to it.

SONYA: As I listen to you, I hear you digging in your own mind your response to some of my questions. So when your editor calls and says, 'We want a cover story for Time magazine,' what's a reporter like you to do?

Mr. RATAN: Throw up my hands and say, 'You sure you want to do that?' I think our cover this week was very good. But as you notice, it was really a Washington story. I think why you're seeing a lot of the Little Rock coverage is that a lot of things which seem new because the story has become inflamed recently really aren't that new. And a lot of the things are pretty marginal.

SONYA: On balance, would you say that you and other mainstream reporters are doing your job, are getting in there, cutting away, really looking at what this story is all about, and not doing a cover of what some would say is a cover up?

Mr. RATAN: Oh, I don't think we're doing a cover up. I know a lot of really great reporters who are working on this story. I know ones that work for CNN, ABC. Virtually every major news organization, we're going at this as hard as we can. At the same time, we're trying not to make too big a deal out of something that may not be a big deal. But if something is a big deal, we'll point it out. We'll get it out there.

SONYA: Now, you know that there are people who say that the press is much too cautious on Whitewater. And that just might include Floyd Brown, who's famous. In fact, some might say, notorious for creating George Bush's Willy Horton ad. The chairman of Citizens United and has employed two full-time investigators to look into the death of White House Deputy Council Vincent Foster.

[interviewing] And, you've been faxing notes all over the place. So what have you found? What are the facts?

FLOYD BROWN, Conservative Political Activist: Well, Sonya, actually, I think the news media has done a very respectable job here on Whitewater, and I'm pleased with the coverage in The New York Times, The Washington Post, CNN, NBC, ABC. We've seen a serious story, an important story, a story that the American people need to know about, and it's getting good, solid coverage, and they're doing a really good job. And so I don't really have a lot of complaints about the news coverage on this one.

SONYA: What is the story, Floyd Brown?

Mr. BROWN: Well, I think the story boils down to more than just Whitewater Development Company. What it is is it's a web of personal and political relationships that was in Arkansas. And it's really a story of money laundering, money laundering for political campaigns. Different agencies: the Arkansas Development and Finance Authority, Whitewater, Madison Guarantee, they may be tools in this whole money laundering scheme. But the problem was that President Clinton needed campaign money. He had to run for governor every two years. He is not a man of substance himself, and he needed money for those

campaigns, and so they were bilking all kinds of different agencies and institutions. And that's why the President doesn't want any of the Whitewater papers to get out.

SONYA: Now, you've given us a laundry list of what is included in the story. You left out Vincent Foster. What about that?

Mr. BROWN: Well, I think there's a lot of questions about Vince Foster's death. From the beginning, in our news [unintelligible] Clinton watch, which has been covering this from the very beginning, what we said about Vince Foster's death was very specific. We interviewed a paramedic by the name of Sargent George Gonzales, who works in Fairfax County. Sargent Gonzales was the first man on the scene, and he was very clear about it. He said, 'This is like no suicide I've ever been to.' He said, 'There was very little blood at the scene.' He said that he's been on many, many suicides because he is a paramedic. He just was astounded that this was declared a suicide at the scene, and he did not feel that an appropriate investigation had been done.

SONYA: Suneel, as you've heard Floyd Brown, what do you think about this? More conjecture? More hyperbole? More rumor coming out and feeding the story itself? What do you hear?

Mr. RATAN: We've heard all of these rumors, but the problem is that there's no proof. I really doubt that if you get the Whitewater records, you would be able to show that money from there was funneled into Governor Clinton's campaigns. I really, really do. I think until there is hard proof, all of-

Mr. BROWN: But that's why we need to have these documents. The President claims that he's done nothing wrong. And if that's the case, then he could vindicate himself today. All he'd have to do is go to the White House briefing room and give up his 1978 and 1979 taxes. And all he'd have to do is deliver up Xerox copies to CNN, to ABC, to everybody, Time magazine, all of these documents, and then he could vindicate himself. If he has nothing to hide, why have they stonewalled like this?

SONYA: Floyd Brown, you have brought us to the exact point of our debate. Up next, has the media been fair to the Clintons? Have the Clintons been fair to the media? Our debate when we continue.

[Commercial break]

SONYA: Our debate today: Is the media blowing the Whitewater story out of proportion? Whitewater headlines. Now Mark Green says yes. But what else is new? Mark is New York City's public advocate. Jane Kirtley says that if the Clintons feel that they're getting a raw deal, they only have themselves to blame. Ms. Kirtley is executive director of The Reporter's Committee for the Freedom of the Press.

[interviewing] Mark Green, you heard Floyd Brown put it in a very succinct way, and I think he addresses something that both sides want to know: If the President and the First Lady are clean, just be forthcoming. Let us take a look at those tax documents, then everything is over, and we can go on with the business of the country.

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MARK GREEN, New York City Public Advocate: Then he'll ask for the documents in '69 and '59. What happened is the press covered what is a real and important story. It deserves serious and sustained coverage. But saturation coverage? Right now, it's moved because of press inquiry into the legal realm. There's a special counsel who is now asking for a subpoena in documents. The President, I'm told, according to the Special Counsel Fiske, is providing all relevant documents. None of us would provide documents to the special counsel and then to the Floyd Browns of the world whose partisan motives would indicate he's not going to be happy until he ties Lee Harvey Oswald to the Clintons on this. For example, when he said, over national television, the issue is their money laundering, that's an allegation without any basis in fact. He's free to say it; the first amendment doesn't stop dumb statements, but that's the kind of partisan motive that gives a bad name to the legitimate-

Mr. BROWN: Obviously, Mark-

Mr. GREEN: Would you- I didn't interrupt you. -that gives a bad name to legitimate journalists who are inquiring into this. Apparently according to Floyd Brown, nothing succeeds like excess-

[Press conference with President Clinton and Israeli Prime Minister Yitzhak Rabin]

[Commercial break]

SONYA: Prior to the White House press conference, we were talking about how much fire there really was behind the smoke of Whitewater. And during the press conference, you may have heard a reporter ask President Clinton about Whitewater. Now, President Clinton held him at bay, perhaps entirely appropriate at that very moment.

[interviewing] But Jane Kirtley, who is with us and is executive director of The Reporters Committee for the Freedom of the Press, you feel that the Clinton Administration has not been particularly forthcoming in the time that they've been here.

JANE KIRTLEY, Reporters Committee for the Freedom of the Press: That's right. And I think it was fascinating that we got interrupted by a press conference, as President Clinton hasn't been very forthcoming with press conferences or with talking to the press throughout his administration so far. And I think that, quite frankly, I would agree with what Mr. Brown said: that if he had come clean with a lot of this stuff earlier on, he could have done considerable damage control and made this go away.

SONYA: Joining us right now is Edwin Diamond, who's a media columnist for New York magazine and the author of Behind the Times, Inside the New York Times.

[interviewing] Now, on a scale of one to ten - one being a little story and ten being a nuclear story - I want you to rate this particular story for us.

EDWIN DIAMOND, Media Critic: Whitewater?

SONYA: Yes.

Mr. DIAMOND: OK. Fire: two. Smoke: nine. I mean, there's a lot of smoke here and a lot of smoke detectors in this town, right? But it was interesting to me, watching the news conference, to see these two world leaders talking about life and death matters, and then somebody wanting to ask about this failed real estate development along the White River.

SONYA: I want to have you tell me what the story is as you see it.

Mr. DIAMOND: The story of Whitewater?

SONYA: Yes.

Mr. DIAMOND: Well, I thought that, for me, everything has a defining moment or a turning point. And I thought that when James McDougal was on World News Tonight, Peter Jennings, the little bit of tape in which he said, 'People talk about this as the House of Morgan or Shearson.' He said, 'This is country folk trading mules.' Well, it's not quite country folk trading mules, and I don't want to say that Arkansas is dog patch, but if you want me to be shocked that in a small state - I guess Arkansas ranks about 49th, and no offense meant to Arkansas - but it's a small, poor state. If you want to tell me that the bankers, the government officials, and the law firms all know each other and do business with each other, well I will say I guess I'm shocked, shocked, shocked.

SONYA: Now, Suneel, you're right there in Little Rock. Do you have a sense that this is a town like lots of towns around this country: everybody knows each other? One might say they're into each other's pocket a little bit, and you do business with your friends?

Mr. RATAN: Oh, absolutely. I think people do business with their friends everywhere. People certainly do business with their friends in Washington.

SONYA: Well, Floyd Brown, you'd agree with that? I mean, people do do business with their friends.

Mr. BROWN: Absolutely, Sonya.

SONYA: They may even give better rates to their friends. I get a free haircut from a friend.

Mr. BROWN: Yeah, but this isn't about doing business with friends; not at all. And there is a lot of fire. And serious reporters who have really looked at the facts know there is a lot of fire. I mean, for example, when I talk about funneling money, I talk about a young man by the name of Peacock, who gave a thousand-dollar contribution to Governor Clinton's campaign, and then said, 'I had nothing to do with it. I didn't even know that contribution was given.' It was drawn on depositor's money at Madison Guaranty. There is a lot of very serious things. Did Hillary Clinton, in fact, order, in the summer of 1992, the shredding of documents and have them moved from the Governor's mansion down to the Rose Law Firm where they were shredded? We are talking about obstruction of justice here. We're talking about money flowing in and out of bank accounts, and we're talking about a President who absolutely has dug his heels in and said, 'I want the American people to do nothing about this.' In fact, any informed study of Whitewater has to begin with the Lyon's [sp?] report. And Mr. Hulme is absolutely correct. The Lyon's report has been completely discredited-

[crosstalk]

SONYA: Floyd, let's listen to Mark, 'cause Mark wants to make a response. Just a moment, Edwin. Let's go to Mark first.

Mr. GREEN: Well, Mr. Brown mentioned Britt Hulme [sp?] of ABC. At the start of this show, Sonya, he raised the issue of Vince Foster's suicide. He was skeptical about it. He surely must know that three days ago, ABC network news and Britt Hulme was shown the photographs of Vince Foster's suicide, and there was a lot of blood on the ground, directly contradicting his hypothesis at the start of this program. He can say: Was Hillary Clinton involved in the shredding? Was Floyd Brown involved in the shredding? What his tactic is is to presume the President of the United States is guilty until he proves himself innocent. The President now is turning over documents to the right person, which is not Brown. It's Fiske. That's the way it should be.

SONYA: Yes, Edwin. I promised you a chance.

Mr. DIAMOND: I just want to say, in defense of smoke, by the way, and in defense of smoke detectors, I'm going to use the word 'Watergate,' not only 'cause it rhymes with Whitewater, but because I was in this town in the mid-'70s, and maybe some of these people were, too. And what's different today, what's different, leaving aside the issues of the two stories, is there is a CNN now; there's a Hard Copy now; there's a Sonya Live now; there's 24-hour news. There are many, many, many more smoke detectors. I'm not against having smoke detectors. All I just want to say is there is a quantitative difference in the media today. I don't want to get in between the two gentlemen arguing, or the ladies or men and women argue about Clinton versus Nixon. But just talking about the press, the media, there are just so many more of us running around pursuing, you know, the same-

SONYA: OK. But let me ask Jane Kirtley, then: Is it not appropriate for a President to decide that he doesn't want to give you an answer? He has what he calls his personal life. You know, if you asked me my age, my bank account, I might say to you: 'None of your business.'

Ms. KIRTLEY: I think I would be more sympathetic to that response if it hadn't become the norm that politicians run on their character and run on their personal lives and talk about what exemplary, outstanding citizens they are. If somebody says, 'I'm a rogue. And that's it. Take it or leave it,' that's one thing. But if you're going to present yourself as an epitome of moral virtue, then I think you have to expect that one of the things the press is going to do is try to puncture that balloon.

SONYA: Indeed. And Mark Green, we know that he stood up, and it's been played and replayed on CNN, and I'm sure in other places, too, about his wife as a moral compass.

Mr. GREEN: Well, no one runs saying they're a rogue. I'd like to see that candidate. In fact, they may get a lot of votes, at least-

SONYA: That would be fun, wouldn't it?

Ms. KIRTLEY: It would be very refreshing, wouldn't it?

Mr. GREEN: The point is well taken. Character is, of course, an issue. It doesn't, though, justify prurient, obsessive interest. The L.A. Times, a couple of days ago, did a survey of the prior week's coverage: in the seven major papers, 110 stories on Whitewater; three major networks, 120 stories on Whitewater. The press should be investigating. The special counsel should be looking into it. I think we've gone beyond the point of appropriate inquiry into the kind of herd journalism that feeds on sales rather than facts.

SONYA: OK. Thank you all. I'll be right back.

[Commercial break]

SONYA: Well, is this over? Not at all. Tomorrow, part two of the fire behind the smoke in Whitewater, where you will be able to join us. We'll invite some of our panelists back. And, by the way, how would you rate them: Irangate, Watergate, Whitewater? We'll hear your one, two, three picks tomorrow, as I continue to ask why things are the way they are, a look at our world from the inside out. Enjoy the rest of your day. And now for a look at what's coming up on Newsday, here's Bobbie Battista in Atlanta.

BOBBIE BATTISTA, CNN Center, Atlanta: Sonya, thanks! Coming up in a few minutes, President Clinton and Israeli Prime Minister Yitzhak Rabin renew their commitments to getting the Middle East peace process restarted. We'll recap a news conference the two leaders just held. General Motors faces a new multi-million dollar lawsuit involving its full-sized pick-up trucks. We'll have details on that. And as Hollywood prepares for Oscar night, we'll go behind the scenes and show you what it's like when the nominations are announced. Those stories and more just ahead.

FURTHER INFORMATION:

Behind the Times, Inside the New York Times by Edwin Diamond, available in bookstores.

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LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 2 OF 14 ITEMS

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The Houston Chronicle

March 16, 1994, Wednesday, 2 STAR Edition

SECTION: A; Pg. 1

LENGTH: 803 words

HEADLINE: Embattled Clinton vows to keep up health fight

BYLINE: GREG McDONALD; Staff

DATELINE: NASHUA, N.H.

BODY

NASHUA, N.H. -- President Clinton fell into his familiar role of tough-talking campaigner Tuesday, pledging to a handpicked crowd that he would continue to push for health care reform legislation despite the Whitewater controversy.

""Some of the people who are giving me hell in Washington are doing it so I can't give you health,'' Clinton told a crowd of 1,200 supporters who gathered at a local junior high school to ask him questions.

""But I'm going to try to give you health and take whatever it is they want to give in return for making sure you get what it is you're entitled to,'' he added.

The reception Clinton received could not have been better.

His supporters hissed at reporters for writing about Whitewater and chided Republicans for using the issue to damage Clinton's image.

""Whitewater is for canoeing and rafting,'' observed Betty Winberg, a 68-year-old resident of Nashua. ""Shame on those who would detract and distract from the important work you're doing on universal health coverage and jobs,'' she told Clinton in the town meeting.

A few minutes later, another woman who identified herself as ""a recovering Republican,'' noted that the New Hampshire Democratic primary, in which Clinton revived his presidential bid with a second-place showing, had made the president the ""comeback kid'' of the 1992 campaign.

She predicted he would survive the Whitewater affair to be re-elected in 1996 just as he did earlier allegations of draft dodging and womanizing.

""Thank you . . . God bless you,'' Clinton beamed.

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The New Hampshire appearance followed Clinton's angry denunciation of Republican critics Monday night at a Democratic fund-raiser in Boston. He accused them of a ""negative, intensely personal'' attack on his integrity and of refusing to debate problems facing the country.

The president pounded the lectern as he spoke and his voice grew increasingly agitated, especially when he fumed over GOP attacks on first lady Hillary Rodham Clinton's role in the controversy. Officials are investigating the Whitewater land development venture and its ties to Madison Guaranty, a failed Arkansas savings and loan that cost taxpayers $ 60 million.

Reacting to Clinton's fiery Boston speech, Senate Minority Leader Bob Dole, R-Kan., joked on the Senate floor Tuesday that the president ought to lighten up.

He noted that the Republicans had supported him on some critical issues, such as the North American Free Trade Agreement.

""It's been a long, cold winter here in Washington, and maybe the weather has made everyone a little cranky,'' Dole said. ""But it finally looks like spring is here. So take a few minutes to relax. Go outside. Take a walk. Enjoy the sun

""Remember,'' he admonished Clinton, ""that the election is over and you won. ''

Clinton heard a similar refrain from the New Hampshire faithful, who urged him to stay focused on issues that matter.

Clinton and his aides, meanwhile, played down the outburst in Boston.

""I was happy. What I said last night, I was not angry but I was determined,'' Clinton told reporters after taking questions at the town meeting, where the crowed was hand-picked by the White House and local Democrats.

Clinton said the visit had nothing to do with his political future.

""This is America. This is where we are. This is not about the '96 campaign. This is about what we're going to do in Congress for the American people in 1994,'' Clinton said, pointing to a group of mothers and school children who crowded around him to complain about inadequate health care insurance.

""They want us to work on the real issues that affect them.

They want public life to be about them and their lives and their futures. ''

But even as Clinton tried to stay focused on his domestic

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agenda, Whitewater continued to dominate the day in Washington.

Rep. Lee Hamilton, D-Ind., surprised the White House and the Democratic leadership by suggesting that congressional hearings on the Whitewater affair might be in the president's best interest.

""I just think there is a perception out there that the White House is still holding back on information,'' said Hamilton, who chairs the House Foreign Affairs Committee. ""That is the worst perception that can be created. You've got to move forward with information to overcome that, and the only way I know to do that is to get it all out. ''

Clinton, after touring a printing company plant in Keene, N.H., got irritated when reporters asked him to respond to Hamilton's comments.

""That's a discussion he ought to have with the special counsel. We've cooperated,'' Clinton snapped, referring to Robert Fiske, the independent Justice Department counsel heading up the federal inquiry into Whitewater.

LANGUAGE: ENGLISH

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LEVEL 1 - 3 OF 14 ITEMS

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March 16, 1994, Wednesday, Late Edition - Final

SECTION: Section B; Page 6; Column 1; National Desk

LENGTH: 542 words

HEADLINE: Departing Aide Expected to Face Ethics Complaint From Law Firm

BYLINE: By DAVID JOHNSTON

DATELINE: WASHINGTON, March 15

BODY

One day after the abrupt resignation of Webster L. Hubbell, the third-ranking official at the Justice Department, his former law partners in Little Rock, Ark., have tentatively decided to file an ethics complaint against him, lawyers involved in the inquiry said today.

Mr. Hubbell announced on Monday that he was resigning as Associate Attorney General, saying he was stepping aside to avoid embarrassing his longtime friends, President Clinton and Hillary Rodham Clinton, as he faces an inquiry into whether he improperly billed his former law firm.

Justice Department officials said today that they expected his former partners at the Rose Law Firm to take action but insisted that Mr. Hubbell had not received formal notification that firm would file a complaint with the Arkansas Supreme Court Committee on Professional Conduct.

Nonetheless, lawyers who have closely followed the internal inquiry at the law firm where Mr. Hubbell and Mrs. Clinton were partners said senior partners at the firm had decided to go forward. That came after prodding by others at Rose who had threatened to file individual complaints against Mr. Hubbell if the firm failed to act.

Some See Small Dispute

The firm held a meeting on Monday night to consider what action to take against Mr. Hubbell, but it was not clear whether lawyers reached a decision during the two-hour discussion or sometime later. A spokesman for the firm did not return a reporter's telephone call today.

Officials at the Justice Department said senior officials were still stunned today by Mr. Hubbell's decision to step down. He attended a senior staff meeting at which colleagues applauded him, but made no mention of the reason for his departure. The officials said no list of possible candidates to replace him had yet been drawn up.

Friends of Mr. Hubbell have portrayed the inquiry into his billing practices as an effort by disgruntled former partners to pressure Mr. Hubbell into

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persuading Seth Ward, his father-in-law, to pay legal bills amounting to nearly $1 million that were left unpaid after Mr. Hubbell represented his parking meter company in an unsuccessful lawsuit in 1991.

But other Administration officials have suggested that Mr. Hubbell's problems are more serious. They said the billing inquiry had expanded to include scrutiny of Mr. Hubbell's time charges and expenses in several matters, including one in which he represented Federal regulators in a case involving the Madison Guaranty Savings and Loan Association, the failed institution owned by the Clinton's former business partner in the Whitewater real estate deal.

That inquiry threatens to draw Mr. Hubbell into the financial and legal issues related to Whitewater now under investigation by Robert B. Fiske Jr., the special prosecutor looking into the Clintons' real estate dealings in Arkansas and their business relationship with James B. McDougal, the owner of Madison Guaranty.

Mr. Hubbell represented Federal regulators in a case against the private auditors who had examined the financial condition of Madison Guaranty. The case, which was settled out of court, accused the auditors of failing to notify the Government that the institution was heading toward collapse.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 4 OF 14 ITEMS

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March 16, 1994, Wednesday, Late Edition - Final

SECTION: Section B; Page 6; Column 3; National Desk

LENGTH: 1111 words

HEADLINE: Clintons' Investment Loss Is Disputed

BYLINE: By STEPHEN ENGELBERG, Special to The New York Times

DATELINE: WASHINGTON, March 12

BODY

When questions first arose in early 1992 about Bill and Hillary Clinton's Ozark real estate venture, the Clinton Presidential campaign hired a Denver accounting firm that concluded that the couple had lost $68,000 on their investment.

The firm's report put questions about the Whitewater Development Company to rest during the campaign. And it has been the cornerstone of the Clintons' defense against allegations stemming from the investment. How could they be criticized, they argue, for a deal in which they had heavy losses?

But a tax return prepared for Whitewater last year at the direction of Vincent W. Foster Jr., the deputy White House counsel who committed suicide last July, suggests that the enterprise was closer to breaking even than the 1992 report asserted.

The discrepancy is not evidence of wrongdoing or that the Clintons are mistaken in calling the venture a losing proposition. But just how much money the venture lost -- and how much of that loss was borne by the Clintons -- are central questions in evaluating Republican charges that Whitewater was a sweetheart deal.

Back Income Tax Returns

The 1990 tax return was prepared last June. Mr. Foster, a longtime friend of the Clintons, was overseeing the preparation of back income tax returns that the company had failed to file and which the Clintons agreed to clear up when they sold their share in Whitewater shortly after Mr. Clinton was elected President.

Douglas R. Carmichael, a professor of accounting at Baruch College in Manhattan who is a former vice president of the American Institute of Certified Public Accountants, said the disparity between the report released by the Clintons and the Whitewater tax filing could not be attributed to differences in accounting methods.

"They just don't seem to be looking at the same project, the same entity," Mr. Carmichael said. "It's difficult to understand how they could possibly have

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been based on the same facts."

The Clintons regularly allude to the 1992 report, which was put together in three weeks by a Denver firm then known as Patten, McCarthy & Associates Inc.

[On Monday, Hillary Rodham Clinton told reporters, "When this is all over, it's going to be the same story we've been telling for two years: we made a bad investment, we lost money and there's really not much more to add to it."

[But while Mrs. Clinton referred in December to the $68,000 loss as "provable by the accountants," on Monday she said the White House "was trying to get an exact figure" for the venture, indicating that the Clintons may be moving away from their steadfast adherence to the report.]

Still, the White House has declined to answer questions about it, referring questions to James M. Lyons, a Denver lawyer and a friend of the Clintons who commissioned the report. In interviews over the last month Mr. Lyons generally defended the report's accuracy, but declined to make public its underlying documents.

Incomplete Records Mentioned

In the report, the firm said incomplete records had hampered its work and, where necessary, it filled gaps with judgments based on "experience" in similar projects.

Billed as a reconstruction of Whitewater's finances, the report is centered on a two-page balance sheet and income statement that says the Whitewater partners lost a total of $157,000 -- $68,300 by the Clintons and the rest by the their partners, James B. McDougal and his wife, Susan.

The special prosecutor in the Whitewater matter, Robert B. Fiske Jr., is examining charges that Mr. McDougal bore a disproportionate share of its risk at a time when his savings institution, the Madison Guaranty Savings and Loan Association, sought favorable rulings from state regulators appointed by Mr. Clinton, who was then Governor of Arkansas, or whether Mr. McDougal improperly used Madison to prop up the venture.

Mr. McDougal has said that he paid for most of the losses, and that the Clintons lost no more than $13,500. Before his campaign issued the report, Mr. Clinton contended that he had lost $25,000.

Whitewater had its roots in a 1978 investment by the two couples. They purchased land along the White River in the Ozarks of northern Arkansas, hoping to ride a boom in vacation and retirement homes. But while other investors who bought similar land at the same time made quick profits or broke even, Whitewater was left with most of its lots unsold when the real estate market soured in the early 1980's.

The Clintons finally ended their involvement in Whitewater in December 1992, selling their stake to Mr. McDougal for $1,000.

As part of the sale, the Clintons agreed to file tax returns that the company had neglected in previous years. Mr. Foster, who had been a partner of Mrs. Clinton's at the Rose Law Firm in Little Rock, Ark., took on the work and

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brought it with him when he moved to Washington.

Accountants generally give great weight to tax documents because the filing of a knowingly false return is a crime under Federal law.

The Patten report paints Whitewater as an indisputably failed investment. It puts the company's cumulative losses as of May 31, 1991, at $118,000. On the tax return, cumulative losses -- listed as an entry for retained profits or losses -- as of the same date are reported at $58,000.

At Odds Over Land Holdings

Laurence Goldfein, head of litigation services at Richard A. Eisner & Company, a forensic accounting firm based in New York City, said that judging by the tax return, it appears that if the company was able to collect the money it was owed -- its receivables -- and sell its remaining land, the cumulative loss on the Whitewater deal falls to only $15,000.

The two documents are even at odds over the company's land holdings. On the tax return, the company owns $27,000 worth of land as of May 31, 1991. On the 1992 Patten report, it had none as of the same date. It is not clear what land could be referred to in the tax filing but, while Whitewater purchased no new lots, it had in previous years repossessed land whose buyers had defaulted.

Whitewater did not file tax returns for several years. Returns for 1990-1992 were drawn up last June by a Little Rock accounting firm hired by Mr. Foster; the 1991 return is dated June 21, 1993.

Mr. Goldfein said a complete set of Whitewater records might yet explain the disparities between the return and the Patten report. Financial statements and tax returns can differ, he said, but should agree on basic data, such as how much land is owned.

"They don't reconcile in any fashion whatsoever," said Daniel Beneish, professor of accounting at Duke University. "I don't see the link."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 5 OF 14 ITEMS

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March 16, 1994, Wednesday, Late Edition - Final

SECTION: Section B; Page 6; Column 6; National Desk

LENGTH: 828 words

HEADLINE: S.& L. IN ARKANSAS FACED 2d INQUIRY

BYLINE: By STEPHEN LABATON, Special to The New York Times

DATELINE: WASHINGTON, March 15

BODY

Clinton Administration officials last year rejected a recommendation by a senior regulator to open a Treasury Department investigation into the failed savings and loan association owned by President Clinton's former partner in the Whitewater venture, Government and Congressional officials said today.

The request to open a broad investigation of the savings institution was made by Brian McCormally, the top enforcement official for the Midwestern division of the Office of Thrift Supervision, which is part of the Treasury Department.

At the time another Federal agency, the Resolution Trust Corporation, had already been investigating the institution, the Madison Guaranty Savings and Loan Association.

The two agencies have overlapping jurisdictions and often conduct separate investigations into failed savings associations. But the thrift supervision office has a larger staff and greater enforcement powers, and has handled many of the most significant investigations of savings associations and their lawyers and accountants.

New Questions Likely

The decision to reject the request for an investigation by the thrift supervision office is likely to raise new questions in Congressional hearings scheduled for next week about whether officials in Washington tried to narrow potentially embarrassing inquiries into Madison. Before it failed, Madison had been owned by James B. McDougal, the Clintons' business partner in the Whitewater Development Company, a 200-acre real estate venture along the White River in northern Arkansas.

Government officials and Congressional aides said the request was turned down last fall by Mr. McCormally's supervisors in Washington, Carolyn Lieberman, acting counsel to the thrift supervision office, and Jonathan Fiechter, acting director of the office. They report to senior political appointees at the Treasury Department, and rarely make major decisions without high-level consultations.

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William E. Fulwider, the spokesman for the Office of Thrift Supervision, declined to discuss the case or to say whether its officials had consulted the Treasury Department.

Michelle Smith, a spokeswoman for the department, said: "There was no involvement by Treasury. Treasury would only be involved on policy matters, not specific cases."

In the last three weeks the White House has found itself engulfed in controversy as it struggled to defend meetings between Treasury and White House officials seeking to discuss the Resolution Trust Corporation's investigation into Madison.

Those contacts are now being examined by a special prosecutor, Robert B. Fiske Jr., who is trying to determine whether the trust corporation's investigation was improperly impeded by Administration officials. Ultimately, the trust corporation decided last fall to refer questions about Madison to the Justice Department to investigate for possible criminal violations.

Mr. Fiske has also been examining whether Madison improperly funneled money into Whitewater or into Mr. Clinton's re-election campaign in 1984, when he was Governor of Arkansas.

As enforcement director for the Midwestern region of the Office of Thrift Supervision, Mr. McCormally oversees enforcement efforts against savings associations in 23 states, including Arkansas. He is best known as the Federal regulator who supervised the inquiry into Neil Bush, a son of former President George Bush, who settled charges of conflict of interest over his role in the Silverado Banking, Savings and Loan Association in Denver.

Reached in Chicago today, Mr. McCormally said he could not comment about the Madison matter.

Questions Raised in 1992

Officials said that Republican appointees in the Treasury Department initially instructed Mr. McCormally to look into the Madison case after news reports about the savings institution appeared in the 1992 Presidential campaign. But the officials said it was not until last year, after the Clinton Administration had taken office, that Mr. McCormally believed he had enough information to warrant a request to open a formal investigation.

Officials said Mr. McCormally asked his superiors in Washington last fall for permission to look into the collapse of Madison. It is unclear whether he made the request before or after the meetings between Treasury and White House officials concerning the Resolution Trust Corporation's inquiry.

The House Banking Committee is scheduled to hold a hearing next week that is supposed to be a semiannual review of the trust corporation, but Republicans are hoping it will wind up as a showcase for problems in the Madison case.

Republicans on the committee have asked regulators at the trust corporation and the thrift supervision office for files about their handling of the Madison case. But the Texas Democrat who heads the committee, Representative Henry B.

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Gonzalez, recently wrote to the heads of the two agencies ordering them not to comply with the Republican request.
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LEVEL 1 - 6 OF 14 ITEMS

Copyright 1994 The New York Times Company
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March 16, 1994, Wednesday, Late Edition - Final

SECTION: Section A; Page 20; Column 1; Editorial Desk

LENGTH: 402 words

HEADLINE: Mr. Hubbell's Necessary Departure

BODY

Webster Hubbell's decision to leave Washington to deal with a nest of angry hornets at his old Little Rock law firm is good for the Justice Department, good for the public and probably good for his very dear friends and principal patrons, President and Mrs. Clinton.

The immediate beneficiary is Attorney General Janet Reno, who now has a chance to show that her department is truly independent of White House influence. Mr. Hubbell had undertaken major responsibilities and, by Ms. Reno's account, was acquitting himself well. Still, the presence of the President's old golfing partner in the number three post has long created the impression that the interests of Justice were subservient to the political requirements of the White House.

Further, his value as an administrator would surely have declined if he had tried to do his job and also defend against accusations wafting from the Rose Law Firm and elsewhere. So far, these allegations seem to bear only an indirect relationship to the larger Whitewater mess. But they are serious enough to require Mr. Hubbell's full-time attention.

One is that he shortchanged his partners in a case involving his in-laws, costing them substantial sums in billings and expenses that they now challenge. Questions have also been raised involving his representation of the Resolution Trust Company in a suit against the auditors of Madison Guaranty, a failed savings and loan run by the Clintons' business partner, James McDougal. The issue is whether Mr. Hubbell properly disclosed to the R.T.C. that the Rose Law Firm had previously represented Madison and that Mr. Hubbell's father-in-law had been involved in tangled litigation with Madison.

Mr. Hubbell has not been formally accused of anything. Still, each allegation carries the suggestion that at various moments in his career he may have been insensitive to standards of fair dealing and full disclosure. Since the Justice Department is sworn to uphold such standards, his presence there would have increased the political risk to an Administration already reeling under charges of ethical insensitivity.

Although the Clintons' comforting circle of Little Rock cronies grows smaller by the day, Mr. Hubbell had no choice but to leave. His departure gives the President's critics one less target to shoot at -- and Ms. Reno a chance to make a more credible claim that she runs her own shop.

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LEVEL 1 - 7 OF 14 ITEMS

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March 16, 1994, Wednesday, Late Edition - Final

SECTION: Section A; Page 21; Column 2; Editorial Desk

LENGTH: 860 words

HEADLINE: The Whitewater Fallacy

BYLINE: By Ernest Dumas; Ernest Dumas is a columnist for The Arkansas Times.

DATELINE: LITTLE ROCK, Ark.

BODY

Reliable sources tell me that the word "incestuous" is coded into the computers of all news media people writing about Arkansas and Whitewater. Press the F1 key and a reflexive sentence will describe the illicit political and financial culture from which the President of the United States sprang.

So long have Arkansans endured the hillbilly caricature that defensiveness is part of their genetic code. They know why the incest metaphor seems so natural to Washington reporters, whose picture of Arkansas is of an ethical Dogpatch where savings-and-loan schemers bed their sisters and then get their idiot spawn appointed to the state regulatory agencies.

The coziness of Arkansas politics, government and finance has been a staple news theme since reporters came to Little Rock in the Presidential campaign and discovered what a small place it was. You could stroll down the sidewalk and see all sorts of local big fish. In a little plate-lunch cafe a block from campaign headquarters you could see bankers, Supreme Court Justices and what passed locally for big-time lawyers forking down meat loaf and tossing jolly ripostes across the tables.

Much of the reporting has focused on the connections of the staid old Rose Law Firm, where Hillary Rodham Clinton and three other Clinton Administration officials worked -- including Webster Hubbell, the now-departed Associate Attorney General.

The political-incest theory, in which the Rose firm plays a large part, might appear to be a reasonable explanation of why the fumbling White House would create a genuine crisis from a pathetic little investment fiasco and one of the smallest S. & L. belly-flops in the country -- in neither of which does the known record suggest any wrongdoing by the Clintons.

Or by anyone else in the government in Arkansas. And that is the trouble with the explanation. There is no doubt that Mr. Clinton hired cronies like Mr. Hubbell and that the White House sprang into a defensive crouch when questions began to be asked about the Clintons' financial dealings. But the idea that the wreck of Madison Guaranty Savings and Loan and the scheming of its erstwhile chief, James McDougal, were shielded by friendly state officials is a myth.

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Despite Mr. McDougal's support for Mr. Clinton, the government's demeanor toward him was anything but friendly.

A former aide to Senators John L. McClellan and J. William Fulbright, Mr. McDougal had been Governor Clinton's economic development adviser in his first term, in 1979 and 1980. He believed that hidebound Arkansas bankers -- who invested in U.S. securities rather than lending to local entrepreneurs who might have created jobs and growth -- were at the root of the state's woeful poverty.

When Mr. McDougal left the government and went into the banking and savings-and-loan business, he set out to prove his theory. Everyone (or at least every good Democrat) deserved a loan, whether needed or not; from that would flow abundance for all.

A couple of years later, with Mr. Clinton back in office, his Bank Commissioner, Marlin Jackson, drove up into the Ozark woods to tell the directors of Mr. McDougal's tiny bank to curb his free-wheeling lending outside its territory, specifically including loans to the Clintons for the Whitewater development project.

And it was Mr. Clinton's Securities Commissioner, Beverly Bassett Schaffer, who along with the Federal Home Loan Bank Board forced Mr. McDougal's removal from control of Madison Guaranty after an accounting firm's examination condemned its lending and investment practices in 1986. She petitioned for a Federal takeover of the company in 1987.

It is widely accepted that in 1985 Mrs. Schaffer approved an unprecedented issuance of preferred stock in after a plea from Hillary Clinton on Madison's behalf. But this "approval" was a little different from the way news accounts have painted it.

The Dallas regional office of the Federal Home Loan Bank Board had encouraged the troubled savings and loans in the region to recapitalize. Madison talked about issuing preferred stock, and a lawyer at the Rose firm wrote a memorandum asserting that state law did not bar such an issuance by a state-chartered savings and loan. The memo noted at the bottom that a copy had been sent to Hillary Rodham Clinton.

Mrs. Schaffer replied, in a now famous "Dear Hillary" letter, that preferred stock was not barred by state law. But an issuance would have had to be approved by Mrs. Schaffer, and Madison never proposed one -- either because it could not have withstood the disclosure requirements or because it could not have found buyers.

The caricature of an incestuous government seems to be based on Mr. Clinton's practice of hiring friends, some of whom turn out to be competent, others knaves. But no example comes to mind of a contrary policy anywhere in this country. That too many people know each other and have business and social relationships is an indictment of small cities everywhere. But the real difference is that in small places the little secrets are known, while in places like Washington, Chicago and New York they are unknowable.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 8 OF 14 ITEMS

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USA TODAY

March 16, 1994, Wednesday, FINAL EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 561 words

HEADLINE: A tough time staying the course

BYLINE: Bill Nichols

DATELINE: NASHUA, N.H.

BODY

As fallout from the Whitewater affair continues to swirl around the White House daily, it's almost as if there are two President Clintons.

One, who showed up here Tuesday at a town meeting at Elm Street Junior High school and later at stops in Keene, N.H., and Fort Drum, N.Y., dutifully follows the White House strategy - plow ahead, stay on message and don't seem rattled by Whitewater and its tentacles.

The other Bill Clinton, despite his comment last week that "you can't be a very good president if you're consumed with bitterness," seems, if not consumed, at least increasingly bitter and angry about the fuss over Whitewater.

Clinton's tirade Monday night in Boston at a Democratic Party fund-raiser in which he exploded about GOP "politics of personal destruction" is one of the growing signs his legendary temper is getting in the way of White House damage control.

Tuesday morning, he insisted to reporters he wasn't angry at the Boston event, despite slamming the podium and shouting the word "No" nine times by way of saying that's all Republicans have to say about important issues.

"I was happy . . . I was not angry, I was determined," Clinton said. "I wanted to tell those people how I felt."

Senior adviser George Stephanopoulos defended the outburst: "Those were Democrats and it's time to say that there is a lot of bull."

But Clinton, at the end of a long day Monday in which his friend Webster Hubbell had been forced to resign from his No. 3 job at the Justice Department, looked not only angry, but absolutely furious, as he did to two Knight-Ridder reporters last weekend when he stormily ended an interview after Whitewater came up.

And that is precisely what White House political hands, already frustrated that Whitewater all but overtook Clinton's three-day trip, don't want as they plan a long-term Whitewater strategy.

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Instead, Clinton aides want events like the one here, in which Clinton, away from Washington and in front of an adoring crowd, can talk about issues, while average citizens blast media preoccupation with Whitewater.

Here, they got both themes. Clinton held forth for over an hour on health care, foreign aid, national service and deficit-reduction and only obliquely - and calmly - referred to Whitewater.

Clinton said that he long ago developed a respect for New England-style town meetings because, "They were so different from the tenor and tone of political debate and discussion in the nation's capital. My guess is they still are."

In turn, some participants chided the media and GOP for focusing on the long-ago Arkansas land dealings and concerns of White House interference with federal regulators probing Whitewater.

Betty Winberg, 68, of Nashua, prefaced her question on mental health benefits by telling-Clinton, to a surge of applause: "Whitewater is for canoeing and rafting. Shame on those who would detract and distract from the important work you're doing."

Another questioner urged Clinton not to let Republicans give him a bunch of rhetoric, because they're just running for office.

"Bless you," said Clinton, adding to reporters later: "You heard from a lot of wise people in there."

In Keene, where Clinton toured a microprinting company and the town square, he told reporters asking Whitewater questions: "You guys didn't learn anything from the town hall meeting."

GRAPHIC: PHOTO, b/w, Elise Amendola, AP

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LEVEL 1 - 9 OF 14 ITEMS

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USA TODAY

March 16, 1994, Wednesday, FINAL EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 607 words

HEADLINE: Dem breaks Whitewater ranks / Hamilton suggests hearings

BYLINE: Leslie Phillips

BODY

The Democratic firewall put up to contain the Whitewater affair was breached Tuesday by a prominent congressional Democrat who suggested hearings would provide the facts "quickly and completely."

Rep. Lee Hamilton, D-Ind., chairman of the House Foreign Affairs committee and former co-chairman of the 1986 Iran-contra hearings, issued a statement saying hearings were one way to clear up confusion.

"When the agenda of a president is clouded by allegations such as those concerning Whitewater," he said, "I think it is important to get all the facts out as quickly as possible to overcome this perception" that the White House may be withholding information.

"One possibility for getting this information out would be through congressional hearings. There may well be others," Hamilton said.

President Clinton, in Keene N.H., expressed his disapproval of Hamilton's suggestion: "That's a discussion he ought to have with the special counsel. We've cooperated."

At issue are the complicated ties between the Clintons, the failed Madison Guaranty Savings & Loan in Arkansas, the Whitewater land venture it's tied to and concerns of possible White House interference in a federal probe of Madison.

Special counsel Robert Fiske has pleaded with Congress to delay hearings until he's had an opportunity to question key witnesses first.

Ranking Republicans on the Senate and House banking committees - Sen. Alfonse D'Amato, R-N.Y., and Rep. James Leach, R-Iowa - agreed to hold off and said they would not grant immunity to witnesses, so as not to jeopardize future legal proceedings.

The House Banking committee has a March 24 hearing on the federal regulation of failed savings and loans nationwide.

Meanwhile:

-- A federal grand jury in Washington hears testimony Thursday from White

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House and Treasury officials subpoenaed about their meetings about a probe of Madison.

Lawyers for White House deputy chief of staff Harold Ickes say he's scheduled to testify. Time permitting, Deputy Treasury Secretary Robert Altman may testify as well.

-- Rose Law Firm senior partner Phillip Carroll denies his firm is on the ropes.

"There is absolutely no internal combustion here," he said in an interview with Gannett News Service, the day after Associate Attorney General Webster Hubbell resigned because of a billing dispute with the firm, where he and Hillary Rodham Clinton were once partners.

"We're as solid as we've ever been. We're not enjoying this, but we know that the people who know us best are still with us, and I believe that."

-- Clayton Lindsey, one of two couriers who says he shredded Whitewater-related documents at Rose Law Firm, goes before the grand jury today in Little Rock.

-- In an interview with Reuters news agency, former Madison owner James McDougal said he would hold a news conference in two weeks to exonerate President Clinton "totally and absolutely" of any wrongdoing. He did not elaborate.

Republicans, meanwhile, responded to Clinton, who Monday assailed their party as "committed to the politics of personal destruction."

"It was a nice act in Boston last night, but he knows it's not true," said House Minority Whip Newt Gingrich, R-Ga.

He and Senate Minority Leader Robert Dole, R-Kansas, named several bills Republicans helped pass, including the North American Free Trade Agreement.

Dole offered this advice:

"It's been a long, cold winter here in Washington, and maybe the weather has made everyone a little cranky. But it finally looks like spring is here. So take a few minutes to relax. Go outside. Take a walk. . . .

"Remember that the election is over and you won."

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LEVEL 1 - 10 OF 14 ITEMS

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THE ARIZONA REPUBLIC

March 16, 1994 Wednesday, Final Chaser

SECTION: EDITORIAL/OPINION; Pg. B9

LENGTH: 820 words

HEADLINE: WHERE WERE S&L HOUNDS IN THE '80S?

BYLINE: MOLLY IVINS, Creator's Syndicate

BODY

I am working womanfully on the Whitewater Scandal. I'm going to get a grip on it any day now. One of my secret vanities as a journalist is that I'm nonpartisan about ethical lapses, a veritable Ahab, I like to think, in relentless pursuit of do-badders of any persuasion.

I pride myself on the roster of Democrats and/or liberals I have roasted, toasted and basted on matters both fiscal and moral: Lyndon Johnson, former House Speaker Jim Wright, Lt. Gov. Bob Bullock, former Attorney General Jim Mattox, former Texas House Speaker Gib Lewis, etc., etc.

It's just that every time I see Sen. Al D'Amato waxing indignant about Whitewater, I start laughing. You have to cut me some slack on this: I used to work for The New York Times, where I covered D'Amato, who is one of the most awful weasels I ever ran across. Believe me, if you know Al D'Amato, watching him wax indignant about an ethical question is comic beyond all hope of redemption.

Nevertheless, operating on the theory that with all this horsepuckey around, there's bound to be a pony here somewhere, I have been studying Whitewater. Here's the deal:

Sixteen years ago - possibly on a cold, dark night - Bill and Hillary Clinton invested in a real-estate deal that didn't pan out, lost about $60,000 and failed to take a deduction for the loss on their income taxes. So far, I fail to ignite. Like Queen Victoria, I am not amused by politicians who make money while holding public office, but I've never had to take a stand on a politician who lost money and failed to take a deduction before. Hillary Clinton later got shrewder about tax deductions, even taking off for donating Bill's old underwear to the Salvation Army, but that is apparently not part of the current complaint.

There follows the usual tangled tale of how the Clintons' partner in the real-estate deal, James McDougal, owns this savings and loan called Madison Guaranty what gets into the usual S&L trouble. At which point there's the usual conflict of interest because Hillary Clinton has been hired to represent Madison Guaranty for the usual $2-K-a-month retainer, and among other legal work, she represents McDougal before a state bank regulator appointed by her husband. Further conflict-of-interest charges loom on account of Hillary Clinton's being a partner in the Rose Law Firm in Little Rock, which represented

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several banks and S&Ls and then later, as per usual, also represented the government in the liquidation of banks and S&Ls.

At the Washington end, we get a big flap-de-do because some Treasury officials briefed some White House officials on how the Resolution Trust Corp.'s examination of Madison Guaranty was coming along, and this is a big no-no because it might look like political pressure is being put on the RTC. Gawdawmighty, if there's a virgin left at RTC, I'd like to know who it is - gee, no one there ever would have guessed that the White House had any interest in Madison Guaranty; it's only been on the front pages for two years.

The only truly distinguishing feature of the Madison Guaranty saga is how absolutely average it is. Notice that I am defending no one and nothing about it; I'm just telling you this story is as common as dirt. Talk about missing the forest for the tree. The Washington press corps has found itself a tree. Well, good on them. There just happens to be an entire plain of them out there.

Had the media bothered to cover the S&L scandal back when it was happening, this story would be considered a hopeless yawner. You think the Rose Law Firm looks funny on this? Try Akin, Gump in Dallas or any of dozens of other law firms in Texas alone. You think Texas looks strange on this? You should see some of the theft that was pulled off in California. You think the RTC might be questioned on its conduct of this case? The RTC should have been questioned, grilled and bastinadoed years ago.

The Reagan administration set up the S&Ls to be looted in 1981. It was done, and then the very lawmakers who voted for the Garn-St. Germain bill, who took money from the S&L lobby, who pressured the regulators on behalf of their home state contributors, had the nerve to set up an ethics investigation of five senators and call it quits. Except now, they want to make an example out of Madison Guaranty to get at the Clintons. Led by Al D'Amato.

Maybe it's pathetic of me, but I'm still not a cynic. I actually hope that Rep. Jim Leach, who has a damn decent record on S&Ls, will use his hearing to get at what was wrong with the system, not just Madison Guaranty. I think that if he and Rep. Henry B. Gonzalez cooperated, the two of them could actually, finally, get after the whole forest and do a world of good in banking reform and regulation along the way.

I gave up on the tooth fairy and Al D'Amato a long time ago, but I still have faith in Leach and Henry B.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 17, 1994

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LEVEL 1 - 11 OF 14 ITEMS

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The Washington Times

March 16, 1994, Wednesday, Final Edition

SECTION: Part A; NEWS ANALYSIS; Pg. A1

LENGTH: 810 words

HEADLINE: Campaign tactics not the answer

BYLINE: Donald Lambro; THE WASHINGTON TIMES

BODY

President Clinton's latest, all-out attack on the Republicans, blaming them for his political troubles in the Whitewater-Madison affair, is not working the way it did in his 1992 campaign.

With his job-approval and public-trust ratings sinking, the president is finding out that the political skills needed to win elections are not those needed to govern and that Whitewater is not going to be managed in a campaign-style "war room."

"They are still in this campaign mode where they are trying to figure out who they attack next," a Republican Party strategist said. "That may work in a campaign but not in a situation where you have an ongoing grand jury investigation."

Republican and Democratic political analysts say Mr. Clinton's latest counterattack strategy cannot work for these reasons:

* The news media, not the Republicans, are largely responsible for raising a number of unanswered questions and fueling the debate over the Clintons' involvement in the Whitewater real estate

deal and the related failure of Madison Guaranty Savings and Loan Association in Little Rock.

"The Democrats have this fraudulent defense that it's all being stirred up by the Republicans," Republican National Chairman Haley Barbour said. "When The Washington Times, The Washington Post and the New York Times dig all this stuff up, they can't say it's Republicans."

* The sharp political attacks on Republicans launched Monday night by the president and over the weekend by Democratic National Chairman David Wilhelm came across as excessive and unfair.

Mr. Wilhelm's personal attacks on the president's GOP critics, including Senate Minority Leader Bob Dole, whom he called a "tax cheat," were immediately rebuked by Democratic leaders.

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House Speaker Thomas S. Foley of Washington indirectly criticized Mr. Wilhelm Sunday, saying, "I don't agree with any characterization of Bob Dole that doesn't hold him in the highest esteem."

Senate Majority Leader George Mitchell of Maine said, "I don't think [Mr. Wilhelm's statement] contributes to the dialogue."

"It's very, very hard to attack the credibility of Republicans like" Rep. Jim Leach of Iowa, who has been demanding full congressional hearings, a senior Democratic Party official said. "He is held in a great deal of respect on both sides of the aisle."

* Mr. Clinton's outburst Monday night at a Democratic fund-raiser in Boston, where he attacked Republicans for his growing problems, "only feeds the controversy even more," said a veteran Democratic Party official who did not want to be identified.

"Why then are we confronted in this administration with an opposition party that just stands up and says, 'No, no, no, no, no, no, no, no, no,'?" Mr. Clinton said in an angry, podium-pounding attack on his GOP critics.

But that kind of political attack in response to Whitewater questions was seen even by some Democrats as harmful to the administration.

"You can't have a strident counterattack for every piece of news that comes up on Whitewater," said a former Democratic national chairman who did not want to be named.

* The president and his wife, Hillary Rodham Clinton, have sent a mixed message on Whitewater that "only seems to confuse people even more," a Democrat said.

While the president was attacking Republicans in Boston, his wife was in Denver acknowledging that "mistakes were made" in the Clintons' handling of the Whitewater matter.

Democratic Party sources yesterday were reluctant to go on the record in their criticism of the way the White House has handled the Whitewater affair. But privately they were sharply critical of Mr. Clinton's political strategy, and many said the president faces mounting pressure within party circles to add more experienced Democratic hands to his staff to get control of the situation.

When he was under attack from Republicans in his presidential campaign, Mr. Clinton followed the strategy that the best defense was a good offense, and his campaign staff became adept at rapid-fire responses to keep his critics at bay.

Although that kind of tactical political response was effective in his 1992 campaign and in some of his legislative battles on Capitol Hill, it has not worked for him in the Whitewater-Madison affair.

At times the president also has struggled to adjust to the rules of legislative warfare. Last year when Senate Republicans were blocking his economic stimulus bill, he said in frustration, "I didn't come here to get up

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every day and fight with the Republicans."

Mr. Dole and House Minority Whip Newt Gingrich of Georgia, who are skilled political fighters, yesterday continued to press GOP demands for congressional hearings on the affair.

GRAPHIC: Photos (A, color), A) Doing it his way: President Clinton steps from his limousine to greet a crowd at Central Square in Keane, N.H., during yesterday's campaign-style swing through the Northeast.; B) Senate Minority Leader Bob Dole and House Minority Whip Newt Gingrich respond to the president's attacks., Both By AP

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 12 OF 14 ITEMS

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The Washington Times

March 16, 1994, Wednesday, Final Edition

SECTION: Part A; NATION; Pg. A4

LENGTH: 535 words

HEADLINE: Annual tax protest opens with demand for Clinton to pay ; President accused of owing from'70s

BYLINE: Ronald A. Taylor; THE WASHINGTON TIMES

BODY

A coalition of anti-tax activists and lawmakers launched yesterday what has become an annual protest drive with a call for President Clinton to pay whatever back taxes he owes.

"It is sad that Bill Clinton has said no to the American taxpayer: 'No, you can't have tax deductions,' 'No, we're not going to cut the budget,' 'No, we're not going to change the way Washington works.' . . . But unfortunately . . . he's also said no when it comes to paying his own share of the tax burden," said Grover Norquist, president of Americans for Tax Reform.

His group is spearheading the tax protest with House Minority Whip Newt Gingrich, Georgia Republican.

With the president facing a possible tax problem in connection with the Whitewater-Madison affair, Mr. Norquist said Mr. Clinton "has no legitimate reason or ability to go to the American taxpayer and ask them to pay even higher taxes when he doesn't pay his own taxes."

"We call on President Clinton to, before April 15 comes around for the rest of America, pay his own taxes and to make his tax returns from '78 and '79 public," he said.

Mr. Norquist was referring to the president's refusal to make available to the media his tax returns covering the years when he has said he made the largest deductions for his spending on Whitewater Development Corp., a northern Arkansas land venture.

The Clintons have said they lost $68,900 on the deal. Their partner, James B. McDougal, president of the failed Madison Guaranty Savings and Loan Association, has put their loss at $13,500.

If the deductions were found to have been made improperly, Mr. Clinton and the first lady could be liable for back taxes.

The annual protest is to culminate again in a day of anti-tax rallies and

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demonstrations April 15, the deadline for filing federal tax returns.

Organizers are expecting taxpayers to be in an even more rebellious mood, with the focus on the details of Mr. Clinton's involvement in the land deal and with the failed Arkansas thrift.

"I think, frankly, that Americans have been frustrated for a long time about the fact that no one in the government seems to listen anymore, and I think what April 15 will be is nothing [less] than a brief reinvigoration of people's anger that they were ignored last year and that the tax-and-spending bill that the president supported was passed through this Congress," said Rep. John R. Kasich, Ohio Republican.

Mr. Kasich, working with Rep. Timothy J. Penny, Minnesota Democrat, was a prime mover behind a narrowly defeated effort late last year to substantially cut federal spending.

During the next 30 days, the organizers hope to build crowds and enthusiasm for the April 15 nationwide protest, capped by a re-enactment of the Boston Tea Party at Long Wharf in Boston Harbor.

Meanwhile, they are counting on their allies in Congress to keep up the anti-tax pressure.

One of their staunchest supporters, Rep. Dick Armey, Texas Republican, said yesterday, "It's clear that the American family today requires a second breadwinner not to support the family, but to support the government."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 13 OF 14 ITEMS

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The Washington Times

March 16, 1994, Wednesday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1291 words

HEADLINE: Hamilton opts for hearings on Whitewater

BYLINE: Paul M. Rodriguez and Jerry Seper; THE WASHINGTON TIMES

BODY

Rep. Lee H. Hamilton, chairman of the House Foreign Affairs Committee, yesterday became the first senior Democrat to publicly open the door to congressional hearings in the Whitewater-Madison affair.

The Indiana Democrat and former co-chairman of a select committee on the Iran-Contra affair - breaking with his party's leadership - said congressional hearings could be one way to abate a political whirlwind now swirling around President Clinton and first lady Hillary Rodham Clinton.

"I know of no evidence [that] the president or the first lady has done anything wrong," Mr. Hamilton said in a statement. "I just think there is a perception out there that the White House is still holding back on information.

"That is the worst perception that can be created," he said. "You've got to move forward with information to overcome that, and the only way I know to do that is to get it all out."

Mr. Hamilton said "one possibility for getting this information out" would be through congressional hearings. "There well may be others. Whatever the format, it must be in-depth," he said.

Joining in the call was Rep. Paul McHale, Pennsylvania Democrat, who said Congress had a constitutional responsibility to investigate Whitewater-Madison.

"Embarrassment on the part of political figures ought not to be the basis for delaying a serious inquiry," Mr. McHale told the Allentown, Pa., Morning Call. "Once again, I respectfully disgaree with the leadership of my party."

Republicans welcomed the comments by Mr. Hamilton and Mr. McHale, suggesting that the GOP call for congressional hearings on Whitewater-Madison was beginning to crack staunch Democratic opposition.

"He's [Mr. Hamilton] somebody who has a lot of integrity and a lot of seriousness about issues," said House Minority Whip Newt Gingrich. "I think it's significant."

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The Georgia Republican added that Republicans, led by Rep. Jim Leach of Iowa, ranking GOP member of the House Banking Committee, "have a statutory right to have a hearing under the law," despite opposition from Banking Chairman Henry B. Gonzalez, Texas Democrat.

"I think to the degree that Chairman Gonzalez stonewalls him [Mr. Leach], we may want to have a vote on the House floor in the next couple of weeks on whether or not to have hearings," Mr. Gingrich said.

In New Hampshire, Mr. Clinton reacted to Mr. Hamilton's comments with a curt retort: "That's a discussion he ought to have with the special counsel. We have all cooperated."

The president's comment came after a day of attacks on Republicans, who he said were consumed with the Whitewater-Madison affair. During a New Hampshire town meeting yesterday, Mr. Clinton continued a theme he raised in an angry speech at a Democratic fund-raiser in Boston the night before.

"Some of the people who are giving me hell in Washington are doing it so I can't give you health," he calmly told a crowd in Nashua, N.H.

Mr. Clinton pounded the podium during the Monday night Boston speech, saying the GOP was "committed to the politics of personal destruction . . . an opposition party that just stands up and says 'No, no, no, no, no, no, no, no, no.' "

The tirade prompted Senate Minority Leader Bob Dole to suggest that the president lighten up. The Kansas Republican also offered Mr. Clinton some friendly advice:

"It's been a long, cold winter here in Washington, and maybe the weather has made everyone a little cranky. But it finally looks like spring is here," Mr. Dole said. "So take a few minutes to relax. Go outside. Take a walk. Enjoy the sun.

"Remember that the election is over and you won," he said.

Mr. Gingrich, who said it was "self-destructive to circle the wagons around the White House," added it was "a very bizarre experience to watch an adult walk around blaming everybody else for what they have done."

"The president made a conscious effort last night to mislead the American people, to be dishonest about his problems," Mr. Gingrich said. "I don't remember ever seeing an American president as out of control emotionally as Clinton seemed to be last night."

Mr. Dole and Mr. Gingrich appeared at a news conference - after their floor speeches responding to Mr. Clinton's Boston remarks - displaying a chart of 11 pieces of legislation supported by Republicans that they hope Mr. Clinton will join them in passing.

"It was a nice act in Boston last night, but he knows it's not true," Mr. Gingrich said of the obstructionist charge.

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The Washington Times, March 16, 1994

Mr. Dole said the White House was beginning to show a "bunker mentality" and compared it to the reaction when President Nixon was in the midst of the Watergate scandal.

Mr. Hamilton, whose comments on possible congressional hearings were first aired during a radio interview in Indiana, said the ongoing controversy was "affecting the president's agenda."

Democrats and their staff in both the House and Senate, meanwhile, seemed relieved that somebody of stature within the party had finally bolted publicly. "It will make it easier now for some of the others who have wanted to step forward but could not for political reasons," said a senior Democratic leadership official.

Jeffrey Biggs, spokesman to House Speaker Thomas S. Foley, said that despite Mr. Hamilton's stance on hearings the speaker still believes Congress should avoid interference with Whitewater-Madison special counsel Robert B. Fiske Jr.

"The speaker still believes that Congress should accede to the wishes of the special counsel," Mr. Biggs said last night.

Mr. Hamilton spoke with sensitivity to such concerns in his statement.

"If congressional hearings are held, Congress must figure out a way to conduct legitimate inquiries without impeding the special counsel's investigation," he said.

"Conflicts between Congress and the special counsel would be inevitable," he noted, so "Congress must work with and accommodate the special counsel to ensure the integrity of his investigation."

Mr. Fiske is leading a federal grand jury investigation of Madison Guaranty Savings and Loan Association and its links to Whitewater Development Corp., an Arkansas real estate partnership of the Clintons; Madison's owner, James B. McDougal; and his then-wife, Susan.

The veteran prosecutor also is investigating reports of document shredding at Mrs. Clinton's former law firm and the documents as well as the death of Vincent W. Foster Jr., former White House deputy counsel and personal attorney to the Clintons.

Mr. Fiske has asked that Congress forestall hearings until his inquiry is completed. He has expressed concern that hearings would jeopardize his work - particularly regarding prosecutions, should congressional investigators wish to grant witnesses immunity.

"We're prepared to commit to no grants of immunity," Mr. Gingrich said.

Led by Mr. Leach and Sen. Alfonse M. D'Amato, New York Republican and ranking member on the Senate Banking Committee, the GOP has said congressional hearings are especially important now since high-level administration officials have admitted to questionable actions since last summer's death of Mr. Foster.

"The independent counsel has no reason to worry about the precedent which

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the Democrats set in Iran-Contra - not the Republicans - and we're very prepared to try to hold the hearings in a way which does not in any way impede the independent counsel's activities," Mr. Gingrich said.

* Frank J. Murray and Ronald A. Taylor contributed to this report.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 14 OF 14 ITEMS

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Chicago Tribune

March 16, 1994 Wednesday, NORTH SPORTS FINAL EDITION

SECTION: NEWS; Pg. 6; ZONE: N

LENGTH: 1018 words

HEADLINE: OUTSIDE D.C., CLINTON FINDS MANY HARDLY CARE ABOUT WHITEWATER

BYLINE: By Mitchell Locin, Tribune Staff Writer. Tribune wires contributed to this report.

DATELINE: NASHUA, N.H.

BODY

Away from Washington, away from the daily pummeling by Republicans, away from the blaring headlines of scandal and disarray, President Clinton hoped fervently that somehow nobody would care much about something called Whitewater.

He hoped, through the use of high-minded rhetoric and appropriate flashes of anger, to steer the national debate away from his problems and toward his programs.

His reception in three states during a three-day swing showed signs that his tactic was working, at least among the Democratic faithful.

Although Whitewater is gradually creeping into broader public consciousness, many still say they want to hear less about that controversial land deal and more about health care and jobs. While polls indicate that about half of Americans believe Clinton did something wrong, they also show people believe Republicans are concerned mainly with scoring partisan points.

On Tuesday, Clinton returned to New Hampshire, the state that helped resurrect his presidential campaign. Voters in the Granite State gave him a second-place finish in the 1992 primary election, prompting him to proclaim himself the "Comeback Kid."

At a traditional New England town meeting in a junior high school gymnasium, Betty Winberg, an advocate for mental health care, declared: "Whitewater is for canoeing and rafting. Shame on those who would detract and distract from the important work you're doing."

Another woman, who described herself as a "recovering Republican," said: "We made you the Comeback Kid a few years ago, and we hope to send a message from this town meeting to Mr. Dole (Republican Senate Minority Leader Bob Dole) and his friends in the media that we're very focused. . . . We're concerned with jobs and health care."

Sounding relieved afterward that the only mention of Whitewater was in words of encouragement and that the town meeting participants focused on policy

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questions, Clinton told reporters: "I'm very happy being here today. This is America. This is where they are."

He faced no orchestrated displays of opposition during his stops, but a smattering of protest signs held up along his motorcade route in New Hampshire included one that read, "Whitewater DOES Matter."

Democratic solidarity also showed some signs of slippage. Rep. Lee Hamilton (D-Ind.), chairman of the House Foreign Affairs Committee, broke with party leaders and suggested that congressional hearings might be the way to get the facts on Whitewater out "quickly and completely."

"I just think there is a perception out there that the White House is still holding back on information," he told Indiana radio stations. "That is the worst perception that can be created."

Clinton said of Hamilton's suggestion, "That's a discussion he ought to have with the special counsel. We have all cooperated."

Democratic congressional leaders say that any hasty congressional hearings could jeopardize special counsel Robert B. Fiske's investigation of the president's Whitewater real estate investment, its relationship to a failed savings and loan, the death of a White House lawyer and any possible administration interference in the case.

Fiske has asked lawmakers to avoid hearings on aspects of the case he's investigating, but also has said he has no objection to congressional inquiry after the Washington phase is finished.

The president's trip began Sunday in Detroit at an international jobs conference and concluded Tuesday afternoon in Ft. Drum, N.Y., at a ceremony welcoming home troops from Somalia.

He started his media counteroffensive in an interview with Knight-Ridder newspapers before departing for Detroit, when he accused the news media of engaging in a "frenzy" that plays into Republican attempts to manipulate the Whitewater story.

On Monday night, after longtime adviser Webster Hubbell resigned as associate attorney general amid a financial dispute with his former law firm, Clinton used a Democratic fundraiser in Boston to launch a rip-roaring attack on Republicans.

Accusing them of engaging in the "politics of destruction," he said he is faced by "an opposition party that just stands up and says, 'No, no, no, no, no, no, no, no, no,' " with each "no" punctuated by striking the lectern.

By Tuesday, Clinton said, "I was not angry," but he wanted "to tell those people how I felt."

Presidential adviser George Stephanopoulos said the outbursts are over for now. "You need a mix ... . Those were Democrats, and it's time to say that there is a lot of bull. They (the Republicans) are trying to create an artificial crisis," Stephanopoulos said.

House Minority Whip Newt Gingrich (R-Ga.) shot back that the administration

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was practicing "the politics of self-destruction and the politics of self-deception."

In related developments:

- The land developer at the heart of the Whitewater controversy said Tuesday he plans to exonerate President Clinton "totally and absolutely" of any wrongdoing.

But in an interview with Reuters, developer and failed savings and loan bank operator James McDougal declined to extend that guarantee of vindication to Hillary Rodham Clinton, who he said handled all of the family's finances.

- Clinton administration officials last year rejected a recommendation by a senior regulator to open a Treasury Department investigation into the failed savings and loan association owned by McDougal, government and congressional officials told The New York Times.

At the time another federal agency, the Resolution Trust Corp., had already been investigating the institution, Madison Guaranty Savings & Loan Association.

The decision to reject the request for an investigation by the thrift supervision office is likely to raise new questions in congressional hearings scheduled for next week.

William Fulwider, the spokesman for the Office of Thrift Supervision, declined to discuss the case.

Michelle Smith, a Treasury Department spokeswoman, said: "There was no involvement by Treasury. Treasury would only be involved on policy matters, not specific cases."

GRAPHIC: PHOTO; PHOTO: President Clinton wades into the crowd during a stop Tuesday on Main Street in Keene, N.H. It was in the New Hampshire presidential primary in 1992 that he gained the nickname "Comeback Kid." AP photo.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
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James Igo
Carl Gamble
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: April 4, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are twenty (20) news articles from Nexis, relating to Madison Guaranty, covering the period of April 1-3, 1994.

LEVEL 3 - 1 OF 27 ITEMS

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Los Angeles Times

April 3, 1994, Sunday, Home Edition

SECTION: Magazine; Page 22; Magazine Desk

LENGTH: 5118 words

HEADLINE: LITTLE ROCK LAW;
THE ROSE FIRM PROUDLY SENT FOUR PARTNERS TO THE CLINTON ADMINISTRATION -- AND IT'S FACED DISASTER EVER SINCE

BYLINE: By John M. Broder and James Risen, John M. Broder is a White House correspondent in The Times' Washington Bureau. James Risen is Times national correspondent based in Washington.

BODY

A shift in fortune was signaled, as it so often is, by the most prosaic of events. The phone rang.

Phillip Carroll, at 68 one of the grand patriarchs of Little Rock's legal community, was at home on a midsummer night in the affluent Heights neighborhood. He was the first to receive the news that would rock the rich, sheltered way of life enjoyed by partners at the Rose Law Firm.

Shortly after 10 p.m., an old friend with close ties to the Clinton White House, federal appellate Judge Richard Arnold, called to impart the incomprehensible. Vince was dead. A suicide. His body had been found in a park in Virginia. Carroll could barely breathe. Vince Foster. Carroll had been his mentor and confessor, godfather to his eldest son. Dead by his own hand.

Minutes later, Rose partner George E. Campbell's phone rang. It was Ann Pincus, a Little Rock native, wife of a Washington Post reporter and lifelong friend of Campbell's wife, Joan. Pincus had attended a Washington dinner party for David Gergen during which the presidential counselor received an urgent call from the White House with the awful news.

It was July 20, 1993, and deputy White House counsel Vincent W. Foster Jr., 48, once the soul and spine of the Rose Law Firm, boyhood friend of the President and close confidant of former Rose partner Hillary Rodham Clinton, had apparently committed suicide with an antique .38 Colt revolver in an isolated park overlooking the Potomac River.

Suddenly, the Washington-Little Rock nexus of lawyers and politicians went into action. The news spread across the network like a cascading wave.

William H. Kennedy III, now White House associate counsel and former chief operating officer at Rose, quickly called several of his former colleagues at the firm. Trying to learn more about Foster's death, Carroll sought the Washington home number of Webster L. Hubbell, also a former senior partner at

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Rose and then the No. 3 official at the Justice Department, who was in a key position to monitor the Foster investigation.

Back in Washington, Foster's boss, White House counsel Bernard W. Nussbaum, was searching Foster's modest office in the West Wing, looking for a suicide note or a blackmail demand.

"Did he say anything?" a bewildered Nussbaum kept asking himself as he riffled through papers on Foster's desk. Nussbaum, the New Yorker who had made a fortune on Wall Street in the 1980s putting together corporate mergers, was out of his element when confronted with violent death, and his amateurish handling of Foster's suicide deepened suspicions that the White House was trying to conceal some hidden scandal involving the First Family.

Not until six days later did a White House lawyer find a torn-up suicide note in the bottom of Foster's briefcase. It hinted at dark conspiracies by the FBI, the media and Republicans to destroy the Clintons and everything they were trying to accomplish. Foster, in a restrained but anguished cry, wrote that he "was not meant for the job or the spotlight of public life in Washington. Here, ruining people is considered sport."

It was the most traumatic, unfathomable and searing event of the Clinton presidency. Why was Foster -- whom the President described as the "Rock of Gibraltar," the man once anointed to guide the Rose Law Firm into the next century, the man people in trouble turned to for help -- dead at the pinnacle of his career?

That question remains unanswered. But what is clear is that in the wake of Foster's death, the prosperous and peaceful life of Little Rock's Rose Law Firm has been shattered. Foster's death has immersed the firm in the rapidly unraveling Whitewater scandal, a tale of Arkansas banking and real estate deals gone bad and the White House's clumsy efforts to contain the continuing damage. It set in motion a series of events that subjected Rose's 59 lawyers to unaccustomed stress. That pressure now appears to threaten an implosion of the oldest law firm west of the Mississippi.

Already, the firm's response to the harsh glare of national scrutiny has turned into an ugly internal blood bath. On March 14, Hubbell resigned from his job at the Justice Department amid charges that he improperly billed as much as $100,000 in personal expenses to the firm while he was a partner. The Rose investigation of Hubbell was only tangential to the Whitewater probe, but "It's Whitewater that created the climate, that gave the dissidents in the firm the opportunity to go after Hubbell," observes one source close to Hubbell.

There is bitter talk, especially among the younger generation of Rose attorneys now taking control, of the tarnished legacy bequeathed them, and they are trying to distance themselves from Hillary Clinton and her departed cronies. In mid-March, Rose partners voted to file charges against Hubbell with the Arkansas Supreme Court ethics division.

In the past year, Rose has become the favorite target of every conservative conspiracy theorist in America, assuming the secret-villain mantle once reserved for the Trilateral Commission. The firm has been portrayed by Clinton critics, most often in the Wall Street Journal, as a secretive fortress at the center of political and economic life in Arkansas that has now extended its sinister

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influence into the highest reaches of the federal government. Hubbell and Hillary, assisted by the aggressive but shadowy Kennedy and Foster, surreptitiously took over the government to advance their hidden agenda of federal intervention into every cranny of American life, according to this view. The firm, playing on its capital connections, added a tentacle by sending partner Allen W. Bird II to open a Washington office last fall, feeding the suspicions of the conspiracy theorists.

The truth is more mundane but in some ways more profound. The lawyers of the Rose firm became entangled in the careers of the Clintons mainly by the accident of Foster's birth in Hope, Ark., and by a rising politician's wife's need for a job in 1977. But the lives of these 59 people have now become hostage to the consequences of the Clintons' actions and to the President's past business dealings with a two-bit real estate investor and S&L operator named James B. McDougal.

Of the four Rose partners who assumed major roles in Washington after Bill Clinton's election, one is dead, a second has resigned, and a third, Kennedy, is under scrutiny for nonpayment of taxes for a nanny. The fourth, Hillary herself, is caught squarely in the middle of Whitewater, her effectiveness as an advocate for health care reform and other legislative efforts increasingly in doubt.

No one could have predicted when Rose hired Hillary Clinton that, 17 years later, the firm's reputation would be hanging by a thread, a 174-year-old institution facing oblivion because of a rotten little land deal.

UNTIL THEN-GOV. BILL CLINTON OF ARKANSAS ANNOUNCED HIS CANDIDAcy for the presidency at the end of 1991, the Rose Law Firm was little known outside the region. The firm, whose partners only recently gave up the Old South style of seersucker suits and white buck shoes in summer, never recruited from farther away than Tennessee or Texas. While its ambitions were to be an important regional legal player, it never acquired the stature of larger and better-connected firms in Memphis, Houston and Dallas.

Still, its partners enjoyed whatever luxuries Little Rock had to offer -- gracious old homes or newer mini-mansions, the golf course and large swimming pool of the exclusive Country Club of Little Rock, expensive cars, civilized working hours and close association with the small circle of Arkansas leaders who wield true political and financial power.

The Clinton candidacy brought national focus on Rose because of Hillary's employment there, but it has not been the attention the firm would have wished. Beginning early in the campaign, Rose was the subject of hundreds of news stories and dozens of rumors about potential conflicts of interest, the sale or purchase of political influence, and office intrigue.

Inside Rose, the pressure has only gotten worse in the months since Foster's death. At first, many tried to rally around Lisa Foster, Vince's widow, when she moved back to their white-pillared home in the Heights with her three children. But now, like barracudas in an overcrowded tank, Rose lawyers have begun to turn on each other and their former colleagues. These were just the latest and most overt signs of the poisonous climate at Rose. Even longstanding friendships within the firm have been eroded by Whitewater. Senior Rose partners Herbert C. Rule III and W. Wilson Jones have practiced together for more than 20 years and

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consider themselves the best of friends. But during a joint interview, Jones repeatedly interrupted whenever Rule drifted into a discussion of the effects of Whitewater on the firm. "I thought we agreed we weren't going to talk about that," Jones upbraided Rule more than once, his voice growing edgier each time. Asked later about the evident tension, Rule dismissed it as "the bickering of an old married couple."

Many in the firm grumble that the price the remaining lawyers are paying for their association with the Clintons is far too high and the rewards far too low. True, another former Rose lawyer, Richard B. Steinkamp, has just found a home in the Clinton Administration, recently named general counsel of a new oversight board for federal mortgage financing agencies. Yet the White House connection has done little for Rose's new Washington office; the firm's name is now radioactive in a city where clients looking for political pull don't like to read about their lawyers and lobbyists in lurid newspaper headlines.

Although the remaining partners are loath to express such a view publicly, in conversations one hears an undercurrent of resentment at the Clintons and their pals for robbing Rose of a lucrative obscurity, for bringing its lawyers' integrity into question, for the loss of the beloved Foster.

"We rely heavily on our reputation, which until recently has been untarnished," says Chief Operating Officer Ronald M. Clark, weighing his words judiciously, trying to mask his bitterness at being forced to deal with insatiable federal authorities and prying media. "Here we are defending stuff that took place six or eight years ago and which most of us know absolutely nothing about. A lot of us here complain that when you speak of 'the firm,' you're talking about an entity. But we're all individuals, and I knew nothing about Whitewater.

"If this is our 15 minutes of fame," the 39-year-old tax specialist laments, "I'd just as soon it end."

The tribulations of the Rose Law Firm have caused few tears to be shed in the inbred legal community of Little Rock. Oh sure, there are the ritual expressions of sympathy for Foster's widow and the clucking of tongues over the breathless media coverage. But beneath a veneer of Southern manners there is barely disguised glee at the decline of a collection of lawyers whom many of their competitors consider arrogant, aloof and overrated. "They're nothing special, just another Little Rock law firm with big pretensions," says one attorney in a small Little Rock partnership. He adds that a lawyer will chide any colleague who grows full of himself by saying, "Now don't go acting like a Rose firm lawyer."

Legal competitors are quick to pounce on the latest allegation about Rose and brag about the cases they won or clients they stole from the powerhouse on East Fourth Street. Always on background, of course; Little Rock is a small town, and it's not polite to cut up your fellow country club members on the record.

But from the country club locker room to the barroom of the Capital Hotel, wherever Little Rock's lawyers gather, Rose and Whitewater are the hottest topics. Rumors abound about who's been subpoenaed and what records have been shredded. Some of it is just politics, old enemies of the Clintons getting even. Some is the old-fashioned delight in the misfortunes of the better-off; the Rose

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firm traditionally was among Little Rock's most profitable.

In many ways, what the Rose firm is going through today mirrors Foster's transformation last year, when he surrendered a privileged and private existence in Little Rock to serve in Washington at the behest of the Clintons.

After arriving at the White House, the taciturn and tightly wrapped Foster was quickly bombarded by crises of a sort he had never encountered in Little Rock, from battles over controversial Clinton appointments to the botched firing of the White House travel staff. He was painted as part of the insidious Rose cabal in Washington. He worked harder under more pressure and with more painful results than he ever had in Arkansas.

A corporate litigator from a quiet Southern town who some former colleagues believe initially saw a White House job as the answer to his midlife crisis and growing restiveness as a lawyer, was thrust into a political hurricane for which he was dramatically ill prepared. And whether because of these pressures, some unbearable secret or, as many of his friends believe, an undiscovered medical event that triggered his suicidal depression, he snapped and ended his life six months to the day after Clinton was inaugurated.

"We have all been trying to understand what happened to Vince ever since," says Bird.

Among the effects found in Foster's White House office were a dim black-and-white photo of Foster and Bill Clinton in kindergarten and a thin manila file folder labeled "Whitewater," which contained tax records and other documents relating to the Clintons' Ozark Mountain real estate deal. Nussbaum, considering it the personal legal business of the Clintons, forwarded it to their private attorney in Washington.

When it was revealed that Nussbaum removed Whitewater-related papers from Foster's office while holding at bay police officers investigating the death, the political equivalent of hell broke loose for the Clintons, raising the ugly specter of a White House cover-up. That finally forced the White House in January to accede to the appointment of a special counsel, Robert B. Fiske Jr., a veteran New York prosecutor who has set up shop in Little Rock.

Rose falls under Fiske's scrutiny because Hillary Clinton and the firm represented James McDougal's Madison Guaranty Savings & Loan in front of state regulators appointed by her husband in an attempt to shore up the foundering thrift. Four years later, in an unrelated matter, Rose solicited legal business from federal regulators and was hired to sue Madison Guaranty's auditors for negligence; that case has raised allegations of a conflict of interest because of Hillary's earlier representation of Madison.

Rose partner Bird represented Hillary Clinton in a Whitewater-related land transaction. And Foster also acted as the Clintons' personal lawyer in dealing with Whitewater, at least in the later stages, and handled the 1992 sale of their share of the venture. There have also been hints, from Rose partners and federal investigators, that the firm's lawyers handled far more Whitewater transactions than have been publicly acknowledged.

The firm first felt the effects of notoriety during the 1992 presidential

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race, when its most famous partner took a leave of absence to campaign for her husband. Rose hired security guards after catching reporters pawing through their trash and snooping around their document storage facility. The firm also, for the first time, bought a shredder to destroy confidential documents.

The attention during the campaign was nothing compared to the floodlights now shining on the firm. Its elegantly appointed offices -- which include a 60-foot basement swimming pool, salvaged from the building's days as a YWCA -- have been visited by agents of the FBI, the Resolution Trust Corp., the Federal Deposit Insurance Corp. and the Department of Justice. At least a dozen times a day, reporters from as far away as London and Australia call with questions about Whitewater and the Clintons.

On a recent visit to the firm, a reporter observed half a dozen boxes of files relating to Whitewater being wheeled down the bird's-eye-maple-paneled hallways, being prepared for submission under subpoena from Fiske.

"Not in my wildest dreams would I have imagined what has happened," says George Campbell, at 61 one of the firm's elder statesmen. He contends that the Rose firm is "an innocent bystander who happens to be around when politicians are slinging mud at each other." He believes that the firm's name and reputation will be vindicated, but the effects of the trauma will linger.

"If there's an insight I've gained from all this, it's about the pain involved in national politics," Campbell says, sitting primly on a sofa in his office. "There are people who spend every waking moment trying to tear somebody else down."

NO ONE OUTSIDE ARKANsas' legal community would ever have heard of the Rose Law Firm if Vince Foster had not walked into then-Chief Operating Officer C. Joseph Giroir Jr.'s office one day in 1976 and urged him to hire a sharp young law professor he knew, 29-year-old Hillary Rodham.

Rodham was then teaching at the University of Arkansas Law School in Fayetteville, where Foster, an alumnus, often handled recruiting for the Rose firm. Hillary was moving to Little Rock because her husband had just won the Democratic primary for state attorney general. For Rose, it seemed like a fortuitous match; Bill Clinton was clearly on the way up in politics, and Hillary was going with him. Giroir recalls that the firm, which at the time only hired two or three associates a year, was not trying to fill an opening. Rose just made a slot for Hillary. "We had a policy that if we found someone we really wanted, we would go after them," says Giroir.

Today, partners refuse to voice regret at Hillary's hiring. Those who played a role say one of the only concerns expressed at the time was whether her marriage might force the firm to turn away some state business because of potential conflicts of interest. Others worried that Little Rock was not ready for a "lady lawyer," particularly a feminist Northerner educated at Wellesley and Yale.

Hillary was a liberal woman in a staid, Southern white-male-dominated firm that had been founded before Arkansas was granted statehood, a firm that did not hire its first black attorney until 1988. (It currently has none.) Ultimately, she would bring high-profile politics into a corporate law firm that shunned

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publicity.

Hillary was naturally drawn to Vince Foster, then only 32 but already considered a major asset at the firm because of his legal skills and attention to detail. One of the leading civil trial attorneys in the city, "He won by following the rules," observes one former colleague. Older clients liked his discretion and his ability to cut to the heart of a legal problem.

Younger associates referred to him as "Vince the Knife," for his legal acuity and for his cool, assassin-like manner that could wilt a witness or an underachieving associate. He developed a reputation within the firm for moodiness, temperamental behavior and even extended spells of silence. Former colleagues say that for one 18-month stretch, he refused to talk to his secretary.

His austere demeanor could intimidate those around him. Kennedy, a recent hire at the firm, was transferred out of the litigation department because he and Foster, his supervisor, couldn't get along, Rose sources say. The two later came to terms as Kennedy, a Pine Bluff, Ark., native, proved his worth by billing more hours than any other Rose lawyer for several consecutive years.

Webb Hubbell, who followed Foster as managing editor of the University of Arkansas Law Review and joined the firm two years after his older friend, also became part of Rose's inner circle. Hubbell was Foster's fun-loving opposite, a beefy former Arkansas Razorback lineman who was as outgoing as Foster was reserved. His minor football fame was a draw in a state where the Hogs rule, but former associates say that Foster's brain and Kennedy's prodigious capacity for work brought in a lot more revenue. (Clinton, Hubbell and Kennedy all declined to be interviewed for this article.)

Hillary Clinton, meanwhile, consciously sought to keep her head down, shying away from highly visible cases that could raise questions about her relationship to the attorney general who would later become governor.

Little Rock lawyers and reporters on the legal beat say that in her 15 years in the Rose firm's litigation section, she was seldom seen in court, preferring to find a way to settle disputes outside the glare of public pleading. One attorney who opposed her on a commercial matter in the late 1980s said that Hillary led him to believe that she wanted a trial, but on the eve of their court appearance she called to offer a settlement "on very favorable terms to our side.

"She was very worried about a high-profile loss. She had to take politics into account on each matter," says the attorney, who worked at Rose for several years and now is at another Little Rock firm. He asked not to be identified because the Little Rock local legal community is so small. "She was afraid to tie it up and go to court. She ended up settling most matters."

Even her supporters at Rose say Clinton was less than a full-time lawyer, having to attend to state business, service on corporate boards, political campaigns and a variety of public advocacy pursuits. Her pay reflected her relatively modest contributions to the firm's bottom line -- just over $100,000 a year when many of her contemporaries were making twice that or more. Her pay was also reduced because she did not take a share in work done by Rose on behalf of the state government, mostly the handling of the sale of state bonds.

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She was missing so often that former Chief Operating Officer Giroir says she was often assigned to assist Foster. "We couldn't give her a full load of cases because we were never sure she would be around to handle them," Giroir says. Indeed, in 1982, Hillary Clinton had to turn down Giroir's offer of a promotion to become administrative partner, which would have given her significant management duties in the firm; she was interested in the post, but she was too busy that year helping her husband launch his bid to regain the governorship.

Yet despite her efforts to keep a low profile, Hillary Clinton still entered into some business arrangements that gave rise to potential conflicts. The firm developed its own ethics guidelines in the mid-1980s that were supposed to limit partners' business dealings with firm clients, but those guidelines were apparently informal.

Certainly Clinton didn't refrain from mixing business and legal work. For example, she sat on the board of directors of two major Rose clients, TCBY Enterprises, the yogurt franchise, and Wal-Mart Stores. Her most serious potential conflict, of course, came from the fact that she represented Madison Guaranty at the same time that she was in business with its chairman, James McDougal. Most troubling of all was that while she had other firm partners handle work for Whitewater, she apparently did not disclose her business relationship with McDougal to the firm's COO. "I never knew that she was in business with him," says Giroir.

But there is no denying that her departure, along with those of Foster, Hubbell and Kennedy, took a heavy toll on the remaining partners. One legal competitor refers to the firm today, with its senior management gutted and its legal expertise and political connections sorely missed, as "Home Alone III."A HUNDRED MILES OR SO north of Little Rock, down the road from the Ozark village of Yellville, are the 240 acres of land along the White River that the Clintons and James and Susan McDougal bought amid dreams of real estate riches. Oddly, it was along this same river more than 150 years ago that one of the founders of the Rose firm first brought the partnership into disrepute and caused its temporary demise.

In 1832, 12 years after forming the partnership that grew into the Rose Law Firm, Robert Crittenden decided that Little Rock could not contain his ambitions. He tried to unseat the incumbent delegate from the Arkansas territory, Henry W. Conway, but the campaign deteriorated into a bitter exchange of insults and a challenge to a duel, which left Conway mortally wounded, Crittenden disgraced and the law partnership with Chester Ashley disbanded.

The firm was re-established in 1837 -- without the trigger-happy Crittenden but with its political yearnings intact. Ashley went on to the U.S. Senate, where he served as chairman of the Judiciary Committee. His new partner, George Watkins, later became chief justice of the Arkansas Supreme Court.

The firm adopted its current name in 1865 with the addition of noted jurist U.M. Rose, a founder and later president of the American Bar Assn. A "Northerner" from Kentucky who arrived in Arkansas on a Mississippi riverboat, he was a linguist, legal scholar and diplomat who was cited by Supreme Court Justice Felix Frankfurter as an important early influence. Rose family members were associated with the firm until the late 1940s.

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Over the years, the partnership was a breeding ground for Arkansas' political and legal elite, producing six members of the state Supreme Court, dozens of state legislators and officers of the state bar association. But the past decade has been unquestionably one of the most traumatic periods in the firm's history. Just as the rise of Hillary Clinton and her colleagues increased the firm's political profile throughout the 1980s, Joseph Giroir sought to radically transform the firm's relationship with the Arkansas business community.

Giroir never quite fit the Rose image. A small, dapper man partial to flashy suits and custom-made shirts, he considered himself half businessman, half lawyer. Yet his vision of turning Rose into an entrepreneurial player in mergers and acquisitions throughout the region ultimately collided with the firm's conservative traditions. "The firm almost came apart over Giroir," says one Rose partner.

When Giroir's major lender, First South Savings & Loan, was taken over by regulators from the Federal Savings and Loan Insurance Corp., funding for his personal ventures suddenly dried up. In 1986, the agency not only cut off Giroir's line of credit, it seized $12 million in assets he had put up as loan collateral.

"I had no choice but to sue," Giroir says now. "They had just about all my money."

The problem was that Rose represented the FSLIC in other thrift cases -- a conflict of interest that became the central management issue for nearly two years. Finally, by early 1988, Giroir resigned and set up his own firm, taking with him some of the best young lawyers in Rose's profitable securities law department.

More important, he took key clients with him, including corporate and personal legal work of Jackson Stephens, the patriarch of a family financial empire and arguably the most powerful figure in Arkansas. It has taken years for Rose to rebuild its securities business since Giroir's departure.

Rose today is not Little Rock's most political firm; there are one or two rival powerhouse firms in town that have traditionally had closer ties to the state Legislature. Yet Rose still exerts influence through its heavyweight client base, which has remained intact during the current controversy, according to Rose lawyers. "My clients almost never even mention it, except to sympathize and ask how we are doing," insists senior partner Wilson Jones.

But the coming months will pose a stern test of client loyalty. By March, congressional Republicans were smelling blood and had forced the Federal Deposit Insurance Corp. to reopen an investigation of whether Rose had a conflict of interest in its legal work involving Madison before state and federal regulators. "Hillary Clinton and Rose got money going in and got money going out," charged Sen. Lauch Faircloth (R-N.C.).

The mysteries of the firm are slowly yielding to the persistence of the press and the pressure from Fiske, who is still in the opening stages of his inquiry into Whitewater. Stories detailing grand jury testimony from former Rose couriers and clerks about shredded documents, potential conflicts of interest, shadowy real estate deals and political connections blare almost daily from newspapers and TV reports.

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Rose partners are certain to be forced to testify before Fiske's grand jury throughout the spring. Fiske's self-described mandate is to investigate, among other things, the death of Foster and the possible complicity of the Rose firm in fiscal and legal shenanigans involving McDougal's failed businesses and his relationship with the Clintons.

Besieged with subpoenas and under intense media scrutiny, Rose has hired its own legal counsel, the giant Houston firm of Vinson & Elkins, to represent it in possible federal prosecution. The firm's legal fees could easily run into hundreds of thousands of dollars.

In a sign of the serious questions still surrounding Foster's violent death, Fiske has named Roderick C. Lankler, former chief litigator in the New York district attorney's office, to concentrate solely on the Foster suicide. And, of course, if any proof of shredding of Whitewater-related documents surfaces in grand jury testimony, Rose attorneys will be facing obstruction of justice charges.

Taken together, that's enough potential trouble to make almost any client think twice. "It's not the sort of reputation one would go searching for," sighs senior partner Herb Rule.

Rose partners deny they are covering up any scandal and deny their shredder has been working overtime to hide the truth about the Clintons and Whitewater. Former couriers at Rose have testified before a grand jury in Little Rock that they were asked by clerks to shred documents marked with Vincent Foster's name but have acknowledged that they don't believe any of the papers were related to Whitewater or Madison Guaranty. One sardonic Rose partner asks: "Now, if we were really going to shred documents about Madison and Whitewater, do you think we would do it in the middle of the day and call in the clerks and say, 'Hey, we're shredding the Madison files, can you help us?"'

Yet, deservedly or not, Rose is now smack in the middle of the hottest political scandal since the Iran-contra debacle. And suddenly, Rose of Little Rock is the most famous law firm in America -- for all the wrong reasons.

GRAPHIC: Drawing, COLOR, HILLARY CLINTON, VINCE FOSTER, TOP, AND WEBB HUBBELL, WITH WHITEWATER'S JAMES MCDOUGAL (IN GLASSES); Illustration by David Familian

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LEVEL 3 - 2 OF 27 ITEMS

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VIEWING WHITEWATER AS A MATTER OF PUBLIC ETHICS

BYLINE: By Michael Ross, Michael Ross covers Congress for The Times.

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BODY

Not given to overstatement, Rep. James A. Leach of Iowa is the first to admit that, as scandals go, Whitewater is no Watergate. And yet by a twist of fate, Watergate was indirectly responsible for the fact that Leach now finds himself cast as President Bill Clinton's chief congressional accuser in the controversy involving a failed Arkansas thrift and its ties to a real-estate venture half owned by the Clintons.

Two decades ago, it was Watergate and a confrontation with another President -- Richard M. Nixon -- that changed Leach's life, propelling him into politics and setting him on a career path that would lead to the House Banking Committee, where he now sits as ranking Republican. Then a rising young diplomat with a masters degree in Russian studies, Leach had just been assigned to Moscow when Nixon fired Archibald Cox as special Watergate prosecutor in the Saturday Night Massacre. Outraged by the abuse of presidential power, Leach promptly resigned from the Foreign Service, saying his conscience no longer allowed him to serve in Nixon's government.

Instead of Moscow, Leach went home to Davenport, Iowa, to help run the family propane-gas business. When he launched his first bid for Congress in 1974, only four people showed up for the rally. However, one of them, architect Elizabeth Foxley, became his wife the following year. They have two children. Elected on his second try in 1976, Leach has easily won reelection ever since.

Soft-spoken and almost priestly in demeanor -- a colleague jokes that when Leach speaks, he expects "the words to come out in Latin" -- Leach is, at first blush, an unlikely candidate to take on the President. Though a fiscal conservative, Leach is so liberal on social issues that his fellow Republicans frequently deride him as a "crypto-Democrat." Indeed, Leach's main targets have been Republicans -- Nixon for Watergate, Ronald Reagan for Iran-Contra and the GOP leadership for its embrace of the religious right. He was a friend and defender of George Bush, but often voted against the latter's positions.

Until now, Leach, 51, was perhaps best known for the crusade he waged in the Banking Committee during the 1980s, to stave off what he warned was an impending S&L crisis by requiring thrifts to increase their capital and restrict

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speculative investments. At the time, he was widely ignored by both Democrats and GOP, who now ruefully admit they were wrong while he alone was right.

In Whitewater, Leach has an issue that friends say engages his two main passions: banking and public ethics. And in the party pariah, the GOP leadership has found an unlikely but useful champion -- whose squeaky-clean record and history of nonpartisanship makes him nearly impervious to Democratic charges that he is only trying to embarrass Clinton for political reasons.

*

Question: The polls suggest Americans are still unsure what Whitewater is about and have trouble understanding the Clintons' role in it. So to start with, what is Whitewater about and why should Americans care about it?

Answer: Whitewater is about conflicts of interest . . . involving a real-estate investment in which one-half of a partnership put in substantially more resources than the other half. They also involve the intermixing of taxpayer-guaranteed resources with a private venture, to the potential advantage of a public official. That is what makes the circumstance a public rather than simply a private interest. It should be stressed that on the public record is the fact that a failed savings and loan infused far more capital into Whitewater than then-Gov. (Clinton).

In a nutshell, you have a conflict of interest in multithousand-dollar proportions which may have contributed to multimillion-dollar losses for the taxpayer when the S&L subsequently failed -- due, in part, to its investment in Whitewater and other real-estate ventures of quasi-similar composition.

Q: You have been conducting your own Whitewater probe and have turned over the results to Special Counsel Robert B. Fiske Jr. What evidence did you find to show that money was diverted from Madison Guaranty to Whitewater?

A: We provided a series of check stubs that show money flowing (into Whitewater) from Madison-affiliated entities. Then there is on the public record the Madison Marketing $7,500 check that went to pay off a Clinton loan. Then (RTC investigator) Jean Lewis has indicated that she found approximately $70,000 going . . . into Whitewater over a six-month period alone.

So you have three precise sets of evidence. One is the $7,500 check; one is the $70,000 transfer, for which, by the way, there is also a check trail, and thirdly, the check stubs that relate to a series of small transfers in an earlier time period. That is the evidentiary circumstance laid on the table.

Q: And do you believe the Clintons were aware of at least some of these transfers?

A: If one views the former governor and former first lady of Arkansas as passive investors with little involvement in the deal-making ethos of the politics of the time in Arkansas, then it is credible to assume that they might not have known. On the other hand, if one's assessment of (the Clintons) is a little more skeptical, one might reach a different conclusion. Those are judgmental elements at this time, not proven circumstances.

But let me stress that Whitewater also received an infusion of funds from a

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small-business investment corporation (Capital Management Services, Inc.) . . . and its former head, who has plea-bargained with the special counsel, has alleged that the governor urged him to make this particular loan and that the funds for this loan originally came from a substantial loan from the S&L Madison Guaranty. So these are the allegations on the table, though they are by no means proven.

Q: Polls also indicate that most Americans believe the media is paying too much attention to Whitewater. How has the media handled it in your view?

A: Yes, we have given too much attention to the issue. My own sense is that what you have here is an issue of public ethics that deserves being raised -- and then deserves being resolved. All the minority ever requested almost five months ago was for a hearing on the subject. If that hearing had occurred, this would have been a one-to-three-week issue. As it worked out, the decision to deny public accountability piqued public interest, and particularly press interest, and the issue escalated . . . . It's one of the reasons why I have repeatedly suggested that, with full public disclosure and full accountability, I am more than willing -- in fact, I am quite eager -- to bring this issue to resolution. It's my view that accountability is in order, but that a constitutional crisis is not.

Q: Republicans say Democrats are trying to keep Whitewater from coming out. But didn't Republicans try to do the same thing with Democratic-driven probes like Watergate, Iran-Contra and Iraqgate -- which you yourself opposed?

A: Wait just a minute. I am on the public record as supporting the Iraqgate inquiry. I was also Congress' leading critic on the legal and constitutional implications of the Iran-Contra policy. I supported every investigation in the House Banking Committee -- including those critical of a number of Republicans. In fact, I suggested the investigation of Republican Gov. (Fife) Symington . . . . The only investigation I had doubts about was the so-called October Surprise, which is the one issue in which George Bush was somewhat vindicated.

Now, I didn't draw the same conclusion that everyone did (about Iraqgate) . . . . But I supported the decision to go ahead with the inquiry.

Q: You've been described as moderate and nonpartisan. But now some Democrats are saying that ambition has driven you to the right; that you're looking for a party- leadership position; that you're much more partisan now. Who is Jim Leach, and why is he so fixed on Whitewater?

A: First, let me say that I'm perplexed at all of the motivational queries. In all of the major (congressional) probes of the last several decades, no one .. . . questioned the motives (for holding them). In terms of party leadership, I'm not a candidate for any House leadership position, and I've made that very clear.

But if you're looking for motives, part of it relates to a strongly held conviction that public ethics are not an issue of the left, right or the center. I feel this very strongly. To paraphrase Barry Goldwater, "Moderation in the pursuit of truth is no virtue and vigilance in defense of public ethics no vice."

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In terms of happenstances, I came to be the ranking member of the committee of jurisdiction over the S&L circumstance . . . in which state governments in a small number of states played a significant role in the losses that occurred.

I've argued that there is a tripod of responsibility for the largest, single, domestic public-policy mistake of the century -- the quarter-trillion-dollar S&L debacle.

One part of the tripod relates to loose laws passed by a loose Congress; a second part relates to ideological decision-making within the Reagan Administration on deregulating an industry that demanded certain standards, and the third part relates to a small number of states -- in particular, Texas, Louisiana, Arkansas, and California -- which failed both at the regulatory end and at the legislative and executive levels to recognize their responsibilities to the deposit-insurance system . . . .

In Arkansas, the percentage losses were as extraordinary as they were in any state . . . . While Whitewater started out as just a basic real-estate development effort, by the time it was over, it had become a real-estate development effort that included substantial infusions of taxpayer-guaranteed resources . . . . In the end, it was the taxpayer that picked up the tab for some of the speculative investments of a political figure.

So all I would suggest is that motivational aspersions are no substitute for full disclosure. They are not answers to the questions raised.

Q: Are you under pressure from the GOP leadership to press ahead with your probe?

A: No, sir.

Q: What about the motives of some of your more partisan colleagues?

A: I am very ill at ease with speaking about partisanship, but I will say this: It is a responsibility of all minority parties in all Western democracies to shine the spotlight of embarrassment on the ruling or governing parties when they breach the law or breach public ethics.

I also believe it's the constitutional duty of a member of Congress to oversee the executive branch . . . . By chance, as the ranking member of the committee of jurisdiction, a little extra responsibility has fallen on my shoulders. Not by choice, but by circumstance.

Q: The Democrats say they will allow Whitewater hearings only if they don't interfere with Fiske's investigation. Are you confident that hearings will be held?

A: It's more likely they will be held in the Senate than in the House . . . . But I have some doubts that full-blown hearings will be held.

Q: Will you press the issue when Congress returns from its spring recess?

A: This is a good time for a bit of a respite. There is no individual in America who would be happier to put this issue behind them more than I -- with the possible exception of the President and the First Lady.

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Q: Are you saying you are not going to press for hearings, that you've made your case and are ready to let things lie as they are for a while?

A: No, no . . . . But my own sense is that now would be a good time to give the special counsel a little bit of rope to proceed. While Congress has historically had in-tandem probes with U.S. attorneys or special prosecutors, there is no necessity that they occur at this time. A little slack isn't inappropriate.

Q: Are you confident Fiske will do a thorough job in his investigation?

A: I firmly believe Fiske is a very honorable man and that he will do a very honorable job. If I were to give him any advice, it would simply be to give the President of the United States the benefit of the doubt at every turn.

Q: The Democrats fear Republicans will use Whitewater to sidetrack health care and other issues on Clinton's legislative agenda. What is the likelihood that Whitewater will overshadow the congressional agenda?

A: I personally, totally and completely concur that it's crucial we not let an issue like this sidetrack the three main agenda items of this year in Congress -- which are health, welfare reform and crime legislation . . . . But the way you put Whitewater behind is to have full disclosure and full accounting. Unless and until you do, Whitewater will continue to have a momentum of its own.

GRAPHIC: Photo, James Leach GREG BOLL / For The Times

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 4, 1994

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LEVEL 3 - 3 OF 27 ITEMS

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Los Angeles Times

April 3, 1994, Sunday, Home Edition

SECTION: Part A; Page 14; Column 1; National Desk

LENGTH: 295 words

HEADLINE: WILHELM PREDICTS WHITEWATER WILL FADE BY SUMMER

BYLINE: By from Associated Press

DATELINE: WASHINGTON

BODY

Democratic National Chairman David Wilhelm predicted Saturday that President Clinton's Whitewater troubles will subside by midsummer and will not be a major issue in November's congressional elections.

"I think Whitewater will recede . . . because the President and the First Lady are cooperating with the special counsel," Wilhelm said on CNN's "Evans & Novak" show. "They're answering the questions that are being raised."

Wilhelm, who managed Clinton's presidential campaign two years ago, said Republicans are using the Whitewater affair as "part of a political strategy designed to promote gridlock, to slow the President down."

He acknowledged that news accounts detailing the Clintons' investments in the 1980s when Clinton was attorney general and governor of Arkansas were not "helpful" in advancing the President's agenda.

But Wilhelm said public interest in the Whitewater controversy will wane once congressional hearings are held on the Clintons' partnership with the owner of a failed Arkansas savings and loan in the land development project.

The Clintons claimed they lost money on the Whitewater deal. Federal regulators and a special counsel are investigating whether federally insured deposits from the failed Madison Guaranty Savings & Loan may have been used to cover Whitewater losses and debts from Clinton's 1984 gubernatorial campaign.

"You have a Republican Party that is obsessed with Whitewater and doesn't seem to have a clue about what should be done to move the country forward," Wilhelm said.

"But I think by midsummer, by the time the fall elections come around, the amount of attention will be lessened and the real attention will be focused on issues like health care reform, welfare reform and economic growth," he said.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 4, 1994

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LEVEL 3 - 4 OF 27 ITEMS

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The New York Times

April 3, 1994, Sunday, Late Edition - Final

SECTION: Section 1; Page 16; Column 1; National Desk

LENGTH: 1127 words

HEADLINE: Inquiry Strains the Ties Of Administration Aides

BYLINE: By GWEN IFILL, Special to The New York Times

DATELINE: WASHINGTON, April 2

BODY

The strong bond between the Treasury Department and the White House -- a link that has been central to the Clinton Administration's effort to turn the economy around -- has been strained in recent weeks by the fallout from the Whitewater investigation.

White House officials who spoke on condition of anonymity said they believe that damaging disclosures about two of the President's top advisers, George Stephanopoulos and Harold M. Ickes, were the work of Roger C. Altman, the Deputy Treasury Secretary.

And many Treasury officials are equally convinced that Mr. Altman took too much of the early blame for participating in a White House discussion of the investigation by the Resolution Trust Corporation, the agency he heads that is charged with unraveling the savings and loans collapses.

Mr. Altman, who once routinely roamed the halls of the White House to attend various meetings about economic strategy and health care, has spent more time lately with lawyers. He flatly denies that he leaked any damaging information about White House officials.

'Inappropriate' Conversation

But the suspicion has taken at least shallow root in the Administration because of the workings of the grand jury that is investigating the Government's oversight of Madison Guaranty, the failed Arkansas savings and loan owned by James B. McDougal, a former Clinton business partner. Several Administration officials have acknowledged holding "inappropriate" conversations related to the matter at a time when the Resolution Trust Company was investigating Madison.

Morale and trust have been undermined at Treasury and the White House, officials at both said. Leaks to the press have been traced and speculated upon with an intensity that belies the calm that officials seek to project.

One piece of evidence: President Clinton and Treasury Secretary Lloyd Bentsen discussed the frayed relationship as they flew on Air Force One to Dallas last weekend.

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And in the hallways of the White House, senior officials who used to casually pick up the telephone or stop to chat with Treasury officials in the West Wing now hesitate before they make a call, and avert their eyes when they see a colleague coming who may have testified before the grand jury. One official said, "There is a much higher level of distrust, and it's affecting the way people deal with each other."

'Bearing Up Pretty Well'

But as the distance between officials working in two buildings separated only by a narrow street has grown, some senior officials have said that the current flurry of finger-pointing will not cause lasting damage.

"I think it's understandable that in the last few weeks there's been a fair amount of stress on the White House, on people who serve there," David R. Gergen, the counselor to the President, said this week. "I think people are bearing up pretty well under the circumstances."

Much is at stake. Treasury and White House officials, who worked together closely to mount successful campaigns last year on behalf of the Administration's economic plan, the North American Free Trade agreement and on trade policies toward Japan and China, still have a full plate.

This week, Mr. Bentsen met with officials about Treasury's role on the gun-control provisions of the crime bill, and on Monday, Mr. Altman will resume his seat at the health care strategy planning sessions run by Mr. Ickes.

Top officials, including Mr. Bentsen, Mr. Altman and Mr. Stephanopoulos, have been trying to clear the air through intermediaries.

"I think the White House knows that the Treasury is totally supportive," Mr. Altman said in an interview.

Mr. Stephanopoulos said: "As far as I'm concerned, we're still a team. We're still a close team. We're a team that produced a lot."

Accounts of the contacts provided by Mr. Altman and Joshua Steiner, Mr. Bentsen's chief of staff, have often conflicted not only with each other but also with more benign interpretations offered by White House officials like Mr. Stephanopoulos.

"The feeling before all this was that Treasury was working like clockwork," one official said. "There were problems at Justice, Defense and State, but not at Treasury. Now that's not the case. The collegiality is all gone."

'Everybody Is Skittish'

One White House official complained that personal friends were now "setting up Chinese walls in private conversations." Another said, "Everybody is skittish."

Mr. Clinton has offered blanket support for his advisers, following a script the White House has used in other tight spots, in which the President admits that mistakes were made but says that they were neither venal nor intentional.

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And Hillary Rodham Clinton telephoned Mr. Altman after he recused himself from the Madison investigation to assure him that he would survive the adversity.

Mr. Bentsen has maintained an artful distance from his wayward aides, offering support for them when pressed, but ordering up an ethics investigation into their behavior nonetheless.

"It did not make me happy, I can assure you of that," Mr. Bentsen said of the series of missteps. "But I also understand these things happen. I have been around here a long time."

Part of the reason the uneasiness has continued to flourish is that Mr. Robert B. Fiske Jr., the special counsel investigating the Whitewater affair, has asked White House and Treasury officials to hold off on their own internal investigations so as not to taint the grand jury inquiry.

Mr. Bentsen demonstrated his concern about the growing perception that he is in charge of a fractured agency on Friday when he summoned reporters to his office to defend his staff and insist that business is continuing as usual at Treasury.

Backing for an Aide

The Secretary said Jean Hanson, the general counsel to Treasury who told White House lawyers about an R.T.C. recommendation to begin a criminal investigation on Madison, has "a wonderful reputation for integrity and ability." He would not dismiss her for her mistake, Mr. Bentsen said, "unless there's more than I know now."

Mr. Altman, the Secretary said, "is very bright and a hard worker" and Mr. Steiner "has done a hell of a job."

Mr. Steiner, Mr. Bentsen said, told him of his telephone conversation with Mr. Stephanopoulos about Jay B. Stephens, a Republican prosecutor who was hired by the R.T.C. to conduct part of the Madison investigation. And Mr. Altman, he said, assured him he had never leaked information damaging to the White House.

Officials insist that while the atmosphere may be poisoned, policy making has not been derailed. "Clearly things are more tense than before," one senior official said. "But this kind of stuff can tear departments apart, and that's not happening at all."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 3, 1994

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LEVEL 3 - 5 OF 27 ITEMS

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The Washington Times

April 3, 1994, Sunday, Final Edition

SECTION: Part A; Pg. A8

LENGTH: 508 words

HEADLINE: Commodities advice came from longtime pal of Clinton's

BYLINE: Michael Hedges; THE WASHINGTON TIMES

BODY

By the time James B. Blair became Hillary Rodham Clinton's commodities adviser in October 1978, his ties to the Clinton family were well established.

In fact, when Mr. Blair was married in 1980, the ceremony was conducted at the Arkansas Governor's Mansion and featured a top-hatted Bill Clinton.

That honor was small reward for Mr. Blair, say Arkansas political observers, who credit him with stilling the jitters of powerful agribusiness firms worried that Mr. Clinton - the self-styled "reformer" attorney general - would as governor hamstring their efforts to maximize profits.

"Blair was the link between the agribusiness community and the state government," said one knowledgeable researcher. "He was also the key link between Tyson and Bill Clinton. He is the point of reassurance, the person whispering in Don Tyson's ear that there will be no trouble from Governor Clinton, as indeed there wasn't after he did get elected."

A lawyer, Mr. Blair advised several food-producing companies in Arkansas during the 1970s, including Tyson Foods, eventually becoming that firm's general counsel.

Mr. Clinton and Mr. Blair met during the 1972 McGovern campaign, when both were Democratic delegates, political experts said. Mr. Clinton, a McGovern campaign coordinator, called on Mr. Blair in Fayetteville, Ark., and they formed a friendship that survived the ups and downs of the next two decades.

When Mr. Clinton was defeated for Arkansas governor in 1980, Mr. Blair headed a drive to get him appointed as chairman of the Democratic National Committee. That effort was torpedoed by Jerry Brown forces, insiders said.

As Mr. Clinton was beginning his political career, Mrs. Clinton became friends with a Cornell graduate and former District of Columbia resident. That woman, the future Diane Blair, who today is a professor of political science at the University of Arkansas, was "someone people said reminded Hillary of Hillary," one observer noted.

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The source of some over-the-top comments about candidate Clinton, Mrs. Blair once gave a speech titled "How State Government Needs to be Changed So That Arkansas Can Survive When Bill Clinton is No Longer Governor." That talk had newspaper wags wondering how the state had survived the 150 or so years before he was governor.

In that address, Mrs. Blair waxed about Mr. Clinton's "extraordinary physical energy" and his "superhumanity."

She was mentioned in post-election stories as a possible domestic policy adviser. Instead, she was appointed last year to the board of the Corporation for Public Broadcasting, which helps channel federal funds to the nation's public broadcast stations.

And Mr. Blair has been active in advising the president on how to blunt criticism over the Clintons' involvement with James B. McDougal, owner of the failed Madison Guaranty Savings and Loan Association and a partner with the Clintons in the defunct Whitewater Development Corp.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 3, 1994

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LEVEL 3 - 6 OF 27 ITEMS

The Associated Press

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April 2, 1994, Saturday, AM cycle

SECTION: Washington Dateline

LENGTH: 723 words

HEADLINE: Pryor Says He Asked Madison Employee Tough Questions

BYLINE: By PETE YOST, Associated Press Writer

DATELINE: WASHINGTON

BODY

An Arkansas senator on Friday defended his intervention on behalf of an executive at Madison Guaranty, the failed savings and loan at the center of the Whitewater affair.

Sen. David Pryor, D-Ark., last summer went to the aid of Seth Ward, a Madison employee and father-in-law of former Associate Attorney General Webster Hubbell, after a lengthy court fight with banking regulators. But after hearing regulators' concerns, Pryor did an about face and began questioning Ward about his handling of Madison business.

In another Whitewater development, Treasury Secretary Lloyd Bentsen told reporters Friday that the department's general counsel was wrong to alert the White House that banking regulators had notified the Justice Department of possible criminal wrongdoing in the Whitewater case.

Last July, in a letter to the Resolution Trust Corp., Pryor called the regulators' handling of the case "an appalling tale about a waste of taxpayer funds and abuse of power."

But by last November, Pryor was asking Ward hard questions after regulators explained that Ward had entered an unrecorded side agreement with Madison enabling him to collect commissions on the S&L's land deals. The regulators concluded that Ward's activities contributed to the thrift's insolvency.

"I would be particularly interested in knowing more about your original agreement," Pryor said in the newly released letter to Ward, dated Nov. 17. "What work were you to perform for the institution, and why was the contract not submitted to the board of directors for consideration?"

Pryor refused to assist Ward further after an exchange of letters with Ward's lawyer, said Pryor spokesman Damon Thompson.

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Ward had given up his court battle last April and surrendered $ 340,000 in real estate commissions to federal regulators.

Madison Guaranty Savings & Loan is the thrift at the center of the investigation of President and Mrs. Clinton's investment in an Arkansas real estate venture called Whitewater. Hubbell resigned in March amid allegations by his law firm in Little Rock, Ark., that he had overbilled clients.

RTC investigators last year named the 1984 Clinton gubernatorial campaign committee as a suspect in their criminal probe of Madison, according to a source familiar with the probe. The report is the first suggestion that the campaign knowingly benefited from depositor funds.

One of the RTC's referrals on Madison seeks further investigation into whether $ 60,500 in Madison funds were diverted to the gubernatorial campaign with the knowledge of campaign officials, the source said.

The RTC recommended the probe after finding indications that $ 10,500 donated to the campaign may been diverted through Whitewater accounts.

It has been previously reported that investigators were looking into an April 4, 1985 fundraiser held by McDougal at Clinton's request to help the then-governor retire a $ 50,000 personal loan used for the 1984 campaign.

The RTC referral also names Hillary Clinton as a possible witness, citing the close timing of the fundraiser with her legal representation of Madison before state regulators appointed by her husband.

Ward attorney Alston Jennings Sr. rejected the RTC's conclusion that Ward had contributed to the downfall of Madison, saying it was "totally erroneous."

Pryor released the letter to Ward in response to the issuance of documents on the Ward dispute Thursday by the RTC, the agency engaged in the cleanup of the S&L industry.

Madison Guaranty was owned by Jim McDougal, the Clintons' business partner in the Whitewater real estate venture.

Whitewater prosecutor Robert Fiske is investigating whether the Clintons benefited from depositors' funds at Madison.

In an interview with reporters, Bentsen said he had full confidence in his staff, including three who have been called before a grand jury looking into whether the administration tried to influence legal proceedings aimed at Madison. Bentsen said one of the three, General Counsel Jean Hanson, should not have notified the White House of a criminal referral by the RTC to Justice on the Whitewater case.

"She was wrong in telling them about it," Bentsen said. But he added, "They didn't change anything as a result of it. This was in retrospect certainly a mistake. Do I fire her over that? No, based on what I know now."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 2, 1994

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LEVEL 3 - 7 OF 27 ITEMS

The Associated Press

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April 2, 1994, Saturday, AM cycle

SECTION: Washington Dateline

LENGTH: 295 words

HEADLINE: DNC Chairman: Whitewater Will Recede by Summer

DATELINE: WASHINGTON

BODY

Democratic National Chairman David Wilhelm predicted Saturday that President Clinton's Whitewater troubles will subside by midsummer and will not be a major issue in next November's congressional elections.

"I think Whitewater will recede ... because the president and the first lady are cooperating with the special counsel," Wilhelm said on CNN's "Evans & Novak" show. "They're answering the questions that are being raised."

Wilhelm, who managed Clinton's presidential campaign two years ago, said Republicans are using the Whitewater affair as "part of a political strategy designed to promote gridlock, to slow the president down."

He acknowledged that news accounts detailing the Clintons' investments in the 1980s when Bill Clinton was attorney general and governor of Arkansas were not "helpful" in advancing the president's agenda now.

But Wilhelm said public interest in Whitewater will wane once congressional hearings are held on the Clintons' partnership with the owner of a failed Arkansas savings and loan in the land development scheme.

The Clintons claimed they lost money on the Whitewater deal. Federal regulators and a special counsel are investigating whether federally insured deposits from the failed Madison Guaranty Savings and Loan may have been used to cover Whitewater losses and debts from Clinton's 1984 gubernatorial campaign.

"You have a Republican Party that is obsessed with Whitewater and doesn't seem to have a clue about what should be done to move the country forward," Wilhelm said.

"But I think by midsummer, by the time the fall elections come around, the amount of attention will be lessened and the real attention will be focused on issued like health care reform, welfare reform and economic growth," he said.

LANGUAGE: ENGLISH

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LOAD-DATE-MDC: April 2, 1994

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LEVEL 3 - 8 OF 27 ITEMS

The Associated Press

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April 2, 1994, Saturday, PM cycle

SECTION: Washington Dateline

LENGTH: 670 words

HEADLINE: '84 Clinton Campaign Suspect in Madison S&L Failure

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: WASHINGTON

BODY

Investigators for the Resolution Trust Corp. last year named President Clinton's 1984 gubernatorial campaign in Arkansas as a suspect in their criminal probe of Madison Guaranty Savings and Loan, according to an official familiar with the investigation.

A possible diversion of $ 60,500 in funds from the failed Arkansas thrift to the campaign with the knowledge of campaign officials was one of 10 "criminal referrals" the RTC submitted to the Justice Department, the official said late Friday, speaking on the condition of anonymity.

The RTC is the agency created by Congress to oversee the cleanup of hundreds of S&L failures in the 1980s.

All of the referrals have been forwarded to special counsel Robert Fiske, who has grand juries here and in Little Rock investigating whether Clinton and his wife, Hillary, benefited from the use of federally insured deposits in Madison.

The RTC recommended the probe after finding indications that $ 10,500 donated to the 1984 campaign may been passed through various Madison accounts, including one dedicated to the Whitewater real estate development, The Washington Post said in its editions today.

It has been previously reported that investigators were looking into an April 4, 1985, fund-raiser held by Jim McDougal at Clinton's request to help the then-governor retire a $ 50,000 personal loan used for the 1984 campaign.

McDougal was the owner of Madison and, with his wife, the partner of the Clintons in the Whitewater venture.

The RTC referral also names Hillary Rodham Clinton as a possible witness, citing the close timing of the fund-raiser with her legal representation of Madison before state regulators appointed by her husband.

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Treasury Secretary Lloyd Bentsen said Friday his department's general counsel was wrong in alerting the White House that the RTC had submitted the criminal referrals to the Justice Department.

In an interview with reporters, Bentsen said he had full confidence in his staff, including three who have been called before a grand jury looking into whether the administration tried to influence legal proceedings aimed at Madison.

Bentsen said one of the three, General Counsel Jean Hanson, should not have notified the White House of a criminal referral by the RTC to Justice on the Whitewater case.

"She was wrong in telling them about it," Bentsen said. But he added, "Do I fire her over that? No, based on what I know now."

Meanwhile, an Arkansas senator who initially defended another Madison executive who at the center of the Whitewater affair says he is no longer helping him.

Ever since hearing from banking regulators about their concerns, Sen. David Pryor, D-Ark., says he has been asking Seth Ward about his handling of business at Madison Guaranty Savings & Loan, the failed Arkansas thrift.

Ward had an unrecorded side agreement with Madison enabling him to collect commissions on the S&L's land deals. The examiners say Ward's activities contributed to the thrift's insolvency, which cost taxpayers tens of millions of dollars.

"I would be particularly interested in knowing more about your original agreement," Pryor said in the newly released letter to Ward, dated Nov. 17. "What work were you to perform for the institution, and why was the contract not submitted to the board of directors for consideration?"

Pryor refused to assist Ward further after an exchange of letters with Ward's lawyer, the senator's spokesman, Damon Thompson, said Friday.

Ward is father-in-law of Webster Hubbell, who was a partner with Mrs. Clinton in The Rose Law Firm in Little Rock. Hubbell resigned recently as associate attorney general because of a dispute with the firm.

Ward's attorney, Alston Jennings Sr., rejected the RTC's conclusion that Ward had contributed to the downfall of Madison, saying it was "totally erroneous."

Pryor had written the RTC last summer on behalf of Ward, calling the agency's handling of the Ward case "an appalling tale about a waste of taxpayer funds and abuse of power."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 2, 1994

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LEVEL 3 - 9 OF 27 ITEMS

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The Houston Chronicle

April 2, 1994, Saturday, 2 STAR Edition

SECTION: A; Pg. 5

LENGTH: 856 words

HEADLINE: Inquiry suspected 1984 campaign;
Clinton panel named in RTC's probe

BYLINE: SUSAN SCHMIDT; Washington Post

DATELINE: WASHINGTON

BODY

WASHINGTON -- Investigators for the Resolution Trust Corp. last year named the 1984 Clinton gubernatorial campaign committee as a suspect in their criminal probe of Madison Guaranty Savings and Loan, citing evidence in a detailed referral that the campaign may have conspired to illegally benefit from depositor funds, according to a source familiar with the case.

One of the RTC's 10 ""criminal referrals'' on Madison, which have been forwarded to Special Counsel Robert B. Fiske Jr., seeks further investigation into whether $ 60,500 in Madison funds were diverted to the gubernatorial campaign with the knowledge of campaign officials.

The investigators' interest centered on an April 4, 1985, fund-raiser held by Madison owner James McDougal at Clinton's request to help the governor pay off a $ 50,000 personal loan used for the 1984 campaign. They also noted that some contributions exceeded legal limits and urged further investigation of $ 10,500 in Madison funds that may have ended up in the Clinton campaign after passing through various Madison accounts, including one in the name of the Clintons' Whitewater real estate venture.

Clinton won the 1984 election easily, getting 63 percent of the vote.

The RTC referrals have been widely reported but their contents have not been known. The disclosure of the language used in describing the campaign's activities is the first indication yet of a specific allegation of possible wrongdoing involving the gubernatorial campaign.

The referral also names Hillary Rodham Clinton as a possible witness, citing the close timing of the fund-raiser with her legal representation of Madison before state regulators appointed by her husband. The Clintons were partners with McDougal in Whitewater,

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and McDougal has said he paid Hillary Clinton's law firm $ 2,000 a month to help him win state regulatory approval for a novel stock plan.

The Clintons repeatedly have said they did nothing wrong in connection with Madison. They have described her legal work for the thrift as minimal, and former Clinton aides have said he had no involvement with handling the proceeds from the 1985 fund-raiser.

The White House said Friday it could not comment.

Betsey Wright, Clinton's former chief of staff and manager of the 1984 campaign, said Friday she was unaware the campaign committee was named a suspect in the probe. She declined to say whether she has received a subpoena from Fiske, but said she is furnishing campaign records at his request.

Wright and other Clinton aides have said that records documenting contributions from the 1985fund-raiser cannot be located.

A second RTC criminal referral that mentions the Clintons said that it appears Madison funds were diverted to the Whitewater Development Corp. and describes the Clintons as ""potential beneficiaries'' but not criminal suspects. Whitewater was a real estate venture jointly owned by the Clintons and Madison owner McDougal and his former wife, Susan.

The RTC, the federal agency charged with disposing of failed S&Ls, routinely investigates failed S&Ls for potential civil claims that could help recoup some of the taxpayer-funded cleanup cost. It also looks into suspected criminal wrongdoing and refers evidence it develops to the FBI and federal prosecutors. The evidence does not necessarily result in criminal charges.

The 1984 loan was made by the Bank of Cherry Valley, whose president, Maurice Smith, served as Clinton's 1984 gubernatorial campaign finance chairman. The Clintons also had a loan for the Whitewater venture at the bank.

Some of the contributions questioned by RTC investigators were made from checks written on overdrawn accounts or from the proceeds of loans made for real estate or other purposes.

The referral, according to a source, said Madison covered overdrafts written on the account of Flowerwood Farms, a McDougal-owned company that sources said investigators describe as one of a dozen ""shell corporations'' believed to be used in a check-kiting scheme to funnel money out of Madison.

The RTC investigators cited loans made to real estate ventures of Charles Peacock, a director and Madison borrower, as another possible source of money that ended up in the Clinton campaign.

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The Washington Post reported in December that a handful of $ 3,000 cashiers' checks generated at that fund-raiser have been turned over by the RTC to prosecutors. One of those checks bears the name Ken Peacock, but Peacock, then a 24-year-old college student, said he never contributed to Clinton and knew nothing about the origins of the check. His father, Charles Peacock, has said since that time that he made the contribution in his son's name.

Ken Peacock is among the witnesses listed on the referral, along with several other persons whose names appear on $ 3,000 cashiers' checks. They include former Sen. J. William Fulbright, D-Ark., who is ill and has been unable to comment. Under 1985 Arkansas law, the maximum donation a candidate could accept from each contributor was $ 1,500 per election.

GRAPHIC: Mug: James McDougal (3-star edition)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 4, 1994

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LEVEL 3 - 10 OF 27 ITEMS

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Los Angeles Times

April 2, 1994, Saturday, Home Edition

SECTION: Part A; Page 15; Column 1; National Desk

LENGTH: 538 words

HEADLINE: '84 CLINTON CAMPAIGN LISTED IN RTC PROBE;
WHITEWATER: INVESTIGATORS HAD NAMED THE GUBERNATORIAL REELECTION COMMITTEE AS A SUSPECT IN THEIR INQUIRY INTO MADISON GUARANTY.

BYLINE: By SUSAN SCHMIDT, THE WASHINGTON POST

DATELINE: WASHINGTON

BODY

Investigators for the Resolution Trust Corp. last year named the 1984 Clinton gubernatorial campaign committee as a suspect in their criminal probe of Madison Guaranty Savings & Loan. They cited evidence in a detailed referral that the campaign may have conspired to illegally benefit from depositor funds, according to a source familiar with the case.

One of the RTC's 10 "criminal referrals" on Madison, which have been forwarded to special counsel Robert B. Fiske Jr., seeks further investigation into whether $60,500 in Madison funds was diverted to the campaign with the knowledge of campaign officials.

The investigators' interest centered on an April 4, 1985, fund-raiser held by Madison owner James B. McDougal at Bill Clinton's request to help the then-governor pay off a $50,000 personal loan used for the 1984 campaign. They also noted that some contributions exceeded legal limits and urged further investigation of $10,500 in Madison funds that may have ended up in the Clinton campaign after passing through Madison accounts. One of those was in the name of the Clintons' Whitewater real estate venture.

The RTC referrals have been widely reported, but their contents have not been known. The disclosure of the language used in describing the campaign's activities is the first indication of a specific allegation of possible wrongdoing involving the campaign.

The referral names Hillary Rodham Clinton as a possible witness, citing the close timing of the fund-raiser with her legal representation of Madison before state regulators appointed by her husband.

The Clintons were partners with McDougal and his wife in Whitewater, and McDougal has said he paid Hillary Clinton's law firm $2,000 a month to help him win state regulatory approval for a novel stock plan.

President Clinton and the First Lady have said they did nothing wrong in connection with Madison. They described her legal work for the thrift as

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minimal, and former Clinton aides have said he had no involvement with handling proceeds from the 1985 fund-raiser.

The White House said Friday it could not comment. "The special counsel's looking into it," Press Secretary Dee Dee Myers said. "We don't know what's in the referral."

Betsey Wright, Clinton's chief of staff as Arkansas governor and manager of the 1984 campaign, said Friday she was unaware that the campaign committee was named as a suspect. She declined to say if she had received a subpoena from Fiske but said she is furnishing campaign records at his request.

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Wright and other Clinton aides have said that records documenting contributions from the 1985 fund-raiser cannot be located.

A second RTC criminal referral that mentions the Clintons said it appears Madison funds were diverted to the Whitewater Development Corp. and describes the Clintons as "potential beneficiaries" but not criminal suspects. Whitewater was an Arkansas real estate venture.

The RTC, the federal agency charged with disposing of failed S&Ls, routinely investigates the thrifts for potential civil claims that could help recoup some of the cleanup cost. The agency also looks into suspected criminal wrongdoing and refers evidence it develops to the FBI and federal prosecutors.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 3, 1994

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LEVEL 3 - 11 OF 27 ITEMS

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April 2, 1994, Saturday, Late Edition - Final

SECTION: Section 1; Page 8; Column 6; National Desk

LENGTH: 475 words

HEADLINE: Republican Was Hired For Inquiry For a Reason

BYLINE: By STEPHEN LABATON, Special to The New York Times

DATELINE: WASHINGTON, April 1

BODY

The Republican lawyer whose appointment to head part of the Whitewater investigation prompted cries of outrage from the White House got his job in part because the agency conducting the investigation was worried about appearing too lenient, officials at the agency said today.

The lawyer, Jay B. Stephens, is a former Republican prosecutor and critic of President Clinton. Officials at the agency that hired him said they had chosen him to examine the Madison Guaranty Savings & Loan Association as a defensive maneuver. As one official put it, the agency, the Resolution Trust Corporation, "bent over backwards" so it could not be viewed as being soft on the White House.

The appointment was sharply criticized by White House advisers, and Mr. Clinton suggested last week that it had come about because the agency, which is the independent Federal office charged with unraveling the savings and loans collapses of the 1980's, was under the control of Republican bureaucrats.

"Everybody who works there was appointed by a previous Republican Administration," Mr. Clinton said at his news conference on March 24.

An Altman Appointment

In fact, the appointment of Mr. Stephens was made by an agency committee and approved in February by the trust corporation's general counsel, Ellen B. Kulka, who had arrived there only a month earlier and had been selected by a Clinton appointee, Deputy Treasury Secretary Roger C. Altman. Announcing her appointment on Dec. 23, Mr. Altman said, "Ellen is an exceptional attorney with a great deal of experience with laws pertaining to the thrift industry."

Senior White House officials have acknowledged that when they learned of the Stephens appointment in February they complained to the Treasury Department about it. Prosecutors involved in the investigation of Mr. Clinton's investment in the Whitewater Development Company in Arkansas have been taking testimony from senior Administration officials before a Federal grand jury to determine whether any laws were violated by the White House's complaining about Mr. Stephens.

Criticism Was Expected

Officials at the trust corporation, who would speak only on the condition of anonymity, said that Ms. Kulka and other officials were concerned that the agency would be criticized either by Democrats or Republicans no matter what it concluded about Madison and that the only way to insulate itself would be to pick someone with strong credentials that showed no ties to the White House.

"We knew we were going to be nailed for whatever we decide," said one senior official at the trust corporation. Another Federal regulator said: "They were trying to find the safest firm they could get and avoid the appearance of somebody who was at all sympathetic to the White House. They bent over backwards to pick someone beyond reproach."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 2, 1994

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LEVEL 3 - 12 OF 27 ITEMS

Copyright 1994 The Washington Post
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April 2, 1994, Saturday, Final Edition

SECTION: EDITORIAL; PAGE A17

LENGTH: 1044 words

HEADLINE: Wallowing In Whitewater

SERIES: Occasional

BYLINE: Richard Harwood

BODY

This has not been a triumphant Whitewater week for the press. Our prophecies of presidential doom were looking flimsier by the day. Our credibility seemed to be sinking fast.

The fickle public, the new polls tell us, is rallying by the millions to the Clintons' defense. Their popularity ratings are up significantly; 70 percent of our countrymen think we've gone off the deep end by paying far more attention to this affair than it deserves; nearly two-thirds have little or no idea what the fuss is all about.

Politicians who have been fence-sitting for months have screwed up enough courage to challenge -- politely, of course -- our rush to judgment. Mistakes in our reporting are being acknowledged, grudgingly in some cases. Corrections of the record are beginning to appear. The White House claims to see light at the end of the dark Whitewater tunnel. Led by the president, it has taken the offensive. Following release of the president's tax returns, The Washington Post conceded that "Tax Records Back Clinton Account."

A full-page ad in the New York Times on March 29 declares: "WE INTERRUPT THIS NEWSPAPER TO GIVE YOU THE FACTS." It is a rebuttal to various allegations made in the press and is signed by about a hundred Democratic partisans and political junkies including Charles Manatt, Carol Berman, Tony Coelho, Midge Costanza, Franklin D. Roosevelt III, Carol Tucker Foreman, Anne Wexler and other notables, among them the Washington sports impresario Abe Pollin as well as Tony Randall and Joanne Woodward.

Revisionism has set in about angry telephone calls made by George Stephanopoulos to Treasury officials over the hiring by the Resolution Trust Corp. of a partisan Republican, Jay Stephens, to handle possible civil suits arising out of the collapse of the Madison Guaranty Savings and Loan. Those calls made a big story with sinister overtones -- obstruction of justice? -- last week. It is a lesser tale today. Soon after it was published, Rep. Jim Leach, the Iowa Republican who is leading the Whitewater charge, minimized the seriousness of the calls. They were "pretty natural," he said. "... I think it would be premature to draw too heavy conclusions" from them.

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House Speaker Tom Foley agreed. Marlin Fitzwater, press secretary to former president George Bush, also defended Stephanopoulos. His reaction to the Stephens hiring, he said, was "pretty normal. I have to admit that if you stand in George Stephanopoulos's shoes, it would be a little difficult not to be surprised and outraged by that appointment." Earlier, the Republican patriarch, Barry Goldwater, had urged Republicans in Congress to get off the president's back.

Newsweek magazine ate crow early in the week over a story claiming Hillary Clinton had put no money into a commodities market deal that earned her a $ 99,000-plus profit in 1978 and 1979. The story relied heavily on quotes from a law professor at Columbia University, Marvin A. Chirelstein. He supposedly described the commodities coup as a "sweetheart deal" and said, "It doesn't look wonderful, does it?" Chirelstein denounced the story as "false and irresponsible," claimed he had been misquoted and said he was "simply outraged and humiliated" at Newsweek's distortion of his remarks. The magazine's Washington bureau chief, Evan Thomas, said the problem arose from a "misunderstanding" and promised, "If we need to make an apology to the White House at the end of all this, we will." The apology was made a day later.

Newsweek's chief competitor, Time magazine, had its own story this week, publishing details about Whitewater that supposedly came from "sources close to" Robert B. Fiske Jr., the Whitewater special counsel. Fiske challenged Time's claim to have a mole inside his shop. He said he was upset and disturbed by the story and has been assured by his staff that no such leak had occurred. Time stuck to its guns, but the challenge to its reliability was part of an emerging pattern in recent days in which the press itself is being scrutinized and put on the defensive.

The Post published a piece in most of its editions on March 23 in which the associate White House counsel, William Kennedy III, was represented as having admitted that he consciously employed a ruse to avoid scrutiny of his failure to pay Social Security taxes for the family's nanny. A retraction was published by The Post the following day, noting that the story "omitted a key word." He had "not" admitted to any effort to conceal the problem.

William Safire of the New York Times caused some journalistic clucking on Monday with a column -- "Reading Hillary's Mind" -- written in Hillary Clinton's voice: a stream of consciousness account of her fears of being exposed as an avaricious yuppie. It was great reading, but where, one asked, does a journalist obtain her mind-reading certificate? Safire, a renaissance man, may have mastered the art on foreign soil, the Himalayas perhaps. But he cited no credential.

Christopher Hanson, a correspondent for the Seattle Post-Intelligencer and a columnist for the Columbia Journalism Review, sighed in an op-ed piece in the Times: "We are in the age of tabloidization. There must be a hook for the booboisie. [But] there's still time to hope that the same forces that unleashed all the hype and shallow coverage may also prompt some reporters to dig harder. Who knows? Someday we may actually learn if there is a scandal here."

From London, Simon Hoggart of the Manchester Guardian, opined: "The world looks on, fearing that its leader will be paralyzed by events of scant interest or significance to anyone at all -- perhaps this time even inside the Beltway."

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Many decades past, Walter Lippmann reminded journalists that "every newspaper when it reaches the reader is the result of a whole series of selections as to which items shall be printed, in what position they shall be printed, how much space each should occupy, what emphasis each shall have. There are no objective standards here. There are conventions."

We are all aware of the convention that admonishes us to be watchdogs and, if necessary, attack dogs. I am not aware of any convention that cautions us from time to time to cool it. But in this case it may not be a bad idea.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 1, 1994

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LEVEL 3 - 13 OF 27 ITEMS

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April 2, 1994, Saturday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 1191 words

HEADLINE: '84 Clinton Panel Named as a Suspect;
RTC Asks Fiske to Probe Whether $ 60,500 in S&L Funds Was Diverted

SERIES: Occasional

BYLINE: Susan Schmidt, Washington Post Staff Writer

BODY

Investigators for the Resolution Trust Corp. last year named the 1984 Clinton gubernatorial campaign committee as a suspect in their criminal probe of Madison Guaranty Savings & Loan, citing evidence in a detailed referral that the campaign may have conspired to illegally benefit from depositor funds, according to a source familiar with the case.

One of the RTC's 10 "criminal referrals" on Madison, which have been forwarded to special counsel Robert B. Fiske Jr., seeks further investigation into whether $ 60,500 in Madison funds was diverted to the gubernatorial reelection campaign with the knowledge of campaign officials.

The investigators' interest centered on an April 4, 1985, fund-raiser held by Madison owner James B. McDougal at Gov. Bill Clinton's request to help the governor pay off a $ 50,000 personal loan used for the 1984 campaign. They also noted that some contributions exceeded legal limits and urged further investigation of $ 10,500 in Madison funds that may have ended up in the Clinton campaign after passing through various Madison accounts, including one in the name of the Clintons' Whitewater real estate venture.

The RTC referrals have been widely reported but their contents have not been known. The disclosure of the language used in describing the campaign's activities is the first indication yet of a specific allegation of possible wrongdoing involving the gubernatorial campaign.

The referral also names Hillary Rodham Clinton as a possible witness, citing the close timing of the fund-raiser with her legal representation of Madison before state regulators appointed by her husband. The Clintons were partners with McDougal in Whitewater Development Corp., and McDougal has said he paid Hillary Clinton's law firm $ 2,000 a month to help McDougal win state regulatory approval for a novel stock plan.

President Clinton and Hillary Clinton repeatedly have said they did nothing wrong in connection with Madison. They have described her legal work for the thrift as minimal, and former Clinton aides have said he had no involvement with handling the proceeds from the 1985 fund-raiser.

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The White House said yesterday it could not comment. "The special counsel's looking into it," press secretary Dee Dee Myers said. "We don't know what's in the referral."

Betsey Wright, Clinton's former chief of staff and manager of the 1984 campaign, said yesterday that she was unaware the campaign committee was named a suspect in the probe. She declined to say whether she has received a subpoena from Fiske, but said she is furnishing campaign records at his request. She declined to comment further.

Wright and other Clinton aides have said that records documenting contributions from the 1985 fund-raiser cannot be located.

A second RTC criminal referral mentioning the Clintons said that it appears Madison funds were diverted to the Whitewater venture and describes the Clintons as "potential beneficiaries" but not criminal suspects. Whitewater was a real estate venture jointly owned by the Clintons and Madison owner McDougal and his then-wife Susan.

The RTC, the federal agency charged with disposing of failed S&Ls, routinely investigates such thrifts for potential civil claims that could help recoup some of the taxpayer-funded cleanup costs. The agency also looks into suspected criminal wrongdoing and refers evidence it develops to the FBI and federal prosecutors. The referrals do not necessarily result in criminal charges.

McDougal has said he staged the April 1985 fund-raiser at Clinton's request to help him pay off a $ 50,000 personal loan Clinton took out for campaign purposes just before the November 1984 election. He won reelection easily with 63 percent of the vote.

The loan was made by the Bank of Cherry Valley, whose president, Maurice Smith, served as Clinton's 1984 gubernatorial campaign finance chairman. The Clintons also had a loan for the Whitewater venture at the bank.

Some of the contributions questioned by RTC investigators were made from checks written on overdrawn accounts or from the proceeds of loans made for real estate or other purposes.

The referral, according to a knowledgeable source, said Madison covered overdrafts written on the account of Flowerwood Farms, a McDougal-owned company that sources said investigators describe as one of a dozen "shell corporations" believed to be used in a check kiting scheme to funnel money out of Madison.

The RTC investigators cited loans made to real estate ventures of Charles Peacock, a director and Madison borrower, as another possible source of money that ended up in the Clinton campaign.

The Washington Post reported in December that a handful of $ 3,000 cashiers' checks generated at that fund-raiser has been turned over by the RTC to prosecutors. One of those checks bears the name Ken Peacock, but Peacock, then a 24-year-old college student, said in an interview that he never contributed to Clinton and knew nothing about the origins of the check. His father, Charles Peacock, has said since that time that he made the contribution in his son's name.

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Ken Peacock is among the witnesses listed on the referral, along with several other persons whose names appear on $ 3,000 cashiers' checks. They include former senator J.W. Fulbright (D-Ark.), who is ill and has been unable to comment on the check, and Dene Landrum, who has since died.

Under 1985 Arkansas law, the maximum donation a candidate could accept from each contributor was $ 1,500 per election.

Fiske has been asked by the RTC to further investigate checks written to the Clinton campaign in February and October 1985 that appear to have caused overdrafts in the Whitewater account at Madison and at Madison Marketing, another "shell" corporation owned by Susan McDougal. Those checks totaled $ 10,500, according to a source familiar with the referral.

Those checks and checks generated at the fund-raiser were deposited at the Bank of Cherry Valley. Fiske has subpoenaed Cherry Valley bank records.

The treasurer of the 1984 Clinton campaign, L.W. "Bill" Clark, has been unavailable for comment on the campaign. Smith could not be reached yesterday.

Clinton, like many politicians, used money he borrowed from banks to contribute to his various campaigns. The $ 50,000 borrowed in 1984 is listed as a personal contribution dated Oct. 29 on his campaign report.

State law requires that a campaign also report the name of the bank, the amount of the loan and the name of any guarantor for personal loans donated to a campaign. There is no such listing included in Clinton's 1984 campaign documents.

Rhonda Langster, director of elections in the Arkansas secretary of state's office, said yesterday that it is up to the individual candidate to volunteer that information. Otherwise state election officers assume the candidate used savings, not borrowed funds, to cover the donation.

State law also allows candidates to hold campaign events to raise funds to pay off bank loans as long as they file additional reports identifying the names of the donors.

Staff writer Charles R. Babcock contributed to this report.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 1, 1994

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LEVEL 3 - 16 OF 27 ITEMS

The Associated Press

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April 1, 1994, Friday, AM cycle

SECTION: Washington Dateline

LENGTH: 716 words

HEADLINE: Pryor Says He Asked Madison Employee Tough Questions

BYLINE: By PETE YOST, Associated Press Writer

DATELINE: WASHINGTON

BODY

An Arkansas senator on Friday defended his intervention on behalf of an executive at Madison Guaranty, the failed savings and loan at the center of the Whitewater affair.

Sen. David Pryor, D-Ark., last summer went to the aid of Seth Ward, a Madison employee and father-in-law of former Associate Attorney General Webster Hubbell, after a lengthy court fight with banking regulators. But after hearing regulators' concerns, Pryor did an about face and began questioning Ward about his handling of Madison business.

In another Whitewater development, Treasury Secretary Lloyd Bentsen told reporters Friday that the department's general counsel was wrong to alert the White House that banking regulators had notified the Justice Department of possible criminal wrongdoing in the Whitewater case.

Last July, in a letter to the Resolution Trust Corp., Pryor called the regulators' handling of the case "an appalling tale about a waste of taxpayer funds and abuse of power."

But by last November, Pryor was asking Ward hard questions after regulators explained that Ward had entered an unrecorded side agreement with Madison enabling him to collect commissions on the S&L's land deals. The regulators concluded that Ward's activities contributed to the thrift's insolvency.

"I would be particularly interested in knowing more about your original agreement," Pryor said in the newly released letter to Ward, dated Nov. 17. "What work were you to perform for the institution, and why was the contract not submitted to the board of directors for consideration?"

Pryor refused to assist Ward further after an exchange of letters with Ward's lawyer, said Pryor spokesman Damon Thompson.

Ward had given up his court battle last April and surrendered $ 340,000 in real estate commissions to federal regulators.

Madison Guaranty Savings & Loan is the thrift at the center of the investigation of President and Mrs. Clinton's investment in an Arkansas real estate venture called Whitewater. Hubbell resigned in March amid allegations by his law firm in Little Rock, Ark., that he had overbilled clients.

Meanwhile, the Washington Post reported in Saturday editions that RTC investigators last year named the 1984 Clinton gubernatorial campaign committee as a suspect in their criminal probe of Madison. The report, citing an unidentified source familiar with the case, is the first indication that the campaign knowingly benefited from depositor funds.

One of the RTC's referrals on Madison seeks further investigation into whether $ 60,500 in Madison funds were diverted to the gubernatorial campaign with the knowledge of campaign officials, the Post reported.

It has been previously reported that investigators were looking into an April 4, 1985 fundraiser held by McDougal at Clinton's request to help the then-governor retire a $ 50,000 personal loan used for the 1984 campaign.

The Post reported that the RTC referral also names Hillary Clinton as a possible witness, citing the close timing of the fundraiser with her legal representation of Madison before state regulators appointed by her husband.

Ward attorney Alston Jennings Sr. rejected the RTC's conclusion that Ward had contributed to the downfall of Madison, saying it was "totally erroneous."

Pryor released the letter to Ward in response to the issuance of documents on the Ward dispute Thursday by the RTC, the agency engaged in the cleanup of the S&L industry.

Madison Guaranty was owned by Jim McDougal, the Clintons' business partner in the Whitewater real estate venture.

Whitewater prosecutor Robert Fiske is investigating whether the Clintons benefited from depositors' funds at Madison.

In an interview with reporters, Bentsen said he had full confidence in his staff, including three who have been called before a grand jury looking into whether the administration tried to influence legal proceedings aimed at Madison. Bentsen said one of the three, General Counsel Jean Hanson, should not have notified the White House of a criminal referral by the RTC to Justice on the Whitewater case.

"She was wrong in telling them about it," Bentsen said. But he added, "They didn't change anything as a result of it. This was in retrospect certainly a mistake. Do I fire her over that? No, based on what I know now."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 2, 1994

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LEVEL 3 - 17 OF 27 ITEMS

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The Houston Chronicle

April 1, 1994, Friday, 2 STAR Edition

SECTION: A; Pg. 14

LENGTH: 391 words

HEADLINE: Treasury aide denies pressure to intervene in Whitewater case

BYLINE: STEPHEN LABATON; New York Times

DATELINE: WASHINGTON

BODY

WASHINGTON -- A senior Treasury official told a federal grand jury here Thursday that he did not believe he was being pressured by the White House to intervene in an investigation of the savings and loan at the heart of the Whitewater case, people involved in the inquiry said Thursday.

Last week, the White House acknowledged that George Stephanopoulos, a senior adviser to President Clinton, called the Treasury official, Joshua Steiner, on Feb. 25 and angrily complained about the decision of a regulatory agency to hire a former Republican prosecutor, Jay Stephens, to investigate the collapse of the Madison Guaranty Savings & Loan Association.

Stephanopoulos' contact with the Treasury is now under investigation by Robert Fiske Jr., the special prosecutor in the Whitewater case, and by the White House.

But Thursday, Steiner, chief of staff to Treasury Secretary Lloyd Bentsen and a close friend of Stephanopoulos', told the grand jury that he did not think the White House aide had pressured him, people involved in the case said.

Stephanopoulos has said that he was merely blowing off steam in the conversation with Steiner. Other Clinton administration officials and lawyers have said that Stephanopoulos asked Steiner if the hiring was ""final'' or whether Stephens could be replaced.

No evidence has been found to indicate that Steiner or any other Treasury officials took steps to have Stephens removed.

Emerging from a two-hour session before the grand jury in Washington on Thursday afternoon, Steiner declined to disclose his testimony, which was held in private. He has already provided federal investigators with a diary that contains detailed accounts of his conversations with the White House and other officials about the investigation of Madison by the Resolution Trust Corp

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The RTC, a federal regulatory agency created in 1989, is responsible for the savings and loan bailout. Last month, it retained Stephens, a former U.S. attorney in Washington. Madison was run and owned by James McDougal, a business partner of the Clintons in Whitewater Development Co., an Ozarks real estate venture.

The RTC and Fiske are investigating whether the savings association made any improper loans to either Whitewater or Clinton's 1984 campaign for re-election as governor of Arkansas.

GRAPHIC: Mug: George Stephanopoulos

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 2, 1994

LEVEL 3 - 18 OF 27 ITEMS

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Los Angeles Times

April 1, 1994, Friday, Home Edition

SECTION: Part A; Page 16; Column 1; National Desk

LENGTH: 1252 words

HEADLINE: CLASH OF 2 VIEWS SPAWNS SERIOUS WHITEWATER QUESTION;
INQUIRY: RTC CIVIL SERVANTS AND WHITE HOUSE AIDES SAW THEIR ACTIONS SURROUNDING THE HIRING OF PARTISAN LAWYER JAY B. STEPHENS AS NORMAL.

BYLINE: By JAMES RISEN and RONALD J. OSTROW, TIMES STAFF WRITERS

DATELINE: WASHINGTON

BODY

At the time, career civil servants at the Resolution Trust Corp. wanted most to avoid being second-guessed in their probe of a failed Arkansas thrift with links to President Clinton and the Whitewater affair. So it seemed natural to hire a former federal prosecutor, a Republican, who would never be accused of taking a dive for the White House.

But what senior White House aides wanted most was to protect Clinton from more of what they considered unfair attacks by bloodthirsty Republicans and overzealous journalists. So it seemed natural to react with anger when they learned that the investigation would be headed by one of the most openly critical, partisan lawyers in the capital.

From the collision of those two viewpoints has come one of the potentially most serious elements in the tangle of questions and accusations surrounding Bill and Hillary Clinton's Arkansas land deal.

The reaction of two senior White House aides to the appointment of former U.S. Atty. Jay B. Stephens to handle the RTC investigation of Madison Guaranty Savings & Loan is now part of special counsel Robert B. Fiske Jr.'s expanding probe into the Clintons' real estate investment and related matters.

Fiske now is trying to determine whether Clinton adviser George Stephanopoulos improperly attempted to reverse Stephens' hiring by pressuring Treasury Department officials, who were temporarily overseeing the RTC. In theory, that could amount to obstruction of a federal agency proceeding -- a felony under federal law.

Whatever the legal outcome of this phase of Fiske's investigation, Stephens' appointment and the Administration's reaction is a quintessential tale of the way politics and Washington's career bureaucracy interact -- a story of the defensive fears and anxieties that sometimes do more to drive events than aggressive plans or tactics.

RTC officials say they never anticipated that their decision to hire Stephens

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would horrify senior White House aides -- and ultimately add another layer of intrigue and controversy to the Whitewater affair.

The regulatory agency will not acknowledge publicly that it has reopened its long-closed probe of Madison, the defunct savings and loan at the center of the Whitewater affair, or that Stephens has been retained to head the investigation. But the sequence of events that led to the hiring, and the reasoning on which it was based, were revealed in interviews with agency sources who spoke on condition of anonymity.

Under pressure from Congress to move quickly on the Whitewater-related investigation, the RTC's legal services committee rapidly approved a contract hiring Stephens and his San Francisco-based law firm in early February. Certain that the probe would be scrutinized by Congress and the press, RTC officials were eager to hire a former prosecutor who could meet the "very rigorous standards required by this case," one source close to the investigation said.

RTC officials saw in Stephens an experienced and zealous prosecutor with strong credentials in S&L cases; he was already handling another case for the RTC involving a failed thrift in Virginia.

The White House, however, saw only a political enemy.

Although it may have been news to some RTC officials, the enmity between Stephens and the Clinton White House was hardly a well-kept secret. To political Washington, Stephanopoulos' anger over Stephens' hiring was understandable.

Stephens had been fired last year by Atty. Gen. Janet Reno -- along with other Republican U.S. attorney holdovers from the George Bush Administration -- just as he was trying to assemble a prosecution against House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.), a close Clinton ally. Stephens then made an abortive run for the Republican nomination for the Senate in Virginia, and made surprisingly detailed comments about the continuing Rostenkowski probe.

Stephens suggested at the time that politics played a role in easing him out. He was only 30 days away, he said, from making "a critical decision with regard to the resolution" of the House post office investigation, the probe that involves Rostenkowski.

"The issue will be whether or not the ultimate decision in this case is somehow unnecessarily impacted by political considerations," Stephens said.

Such comments had prompted the District of Columbia Bar Assn.'s board on professional responsibility to look into disciplining Stephens. One source familiar with the matter said the inquiry has since been closed. But a representative of the board declined to confirm or deny the action, saying all ethics matters are confidential unless they result in suspension or disbarment.

RTC officials insist that, although they hired Stephens and his law firm hurriedly, they followed proper procedures.

With the statute of limitations on the Madison case set to expire at the end of February -- and with congressional interest in it growing -- top RTC officials moved to reopen their civil investigation. The S&L had been seized by

regulators in 1989, at a cost to taxpayers of at least $47 million. RTC officials say they were satisfied with their original investigation of the firm for civil violations but were under pressure by Congress in the hothouse environment of the Whitewater affair to reopen the case at a time when Fiske was conducting his criminal inquiry.

Top RTC officials told staffers to rush the case through the system so they would be prepared to take legal action and to testify before Congress about the matter.

RTC attorneys gathered in the agency's Kansas City office and scrambled to gather long-stored documents. Needing quick legal advice from an outside counsel already familiar with such investigations, the agency turned to Stephens.

Other attorneys at his firm -- Pillsbury, Madison & Sutro -- were already handling the RTC's high-profile case against a failed S&L in Arizona with links to Republican Gov. Fife Symington. Stephens, who was hired by the firm in January, began work on the Virginia thrift case for the RTC almost immediately. Pillsbury, an old-line San Francisco firm, was already doing about $2 million in annual billings with the RTC.

Before offering the contract to Pillsbury, RTC officials knew that Stephens would be the lead partner on the Madison case.

When news of Stephens' hiring reached the White House, the reaction was fierce and immediate. "This was a wow, can you believe that!" one Administration official said. So on Feb. 25, sources say, Stephanopoulos and Deputy White House Chief of Staff Harold M. Ickes expressed their concerns in a telephone call to Deputy Treasury Secretary Roger Altman, then acting head of the RTC.

Stephanopoulos denies that he raised the issue with Altman but acknowledges that he called his close friend, Treasury Chief of Staff Joshua Steiner, later that day and asked whether Stephens' hiring could be reversed. Altman and Steiner rebuffed Stephanopoulos, Treasury officials say.

A Treasury spokesman stressed that "neither Mr. Altman nor Mr. Steiner made any attempt to contact or influence the RTC" about Stephens' hiring. On Thursday, Steiner testified in Washington before a grand jury hearing evidence in Fiske's Whitewater investigation. One of a dozen Clinton Administration officials subpoenaed by Fiske, Steiner declined to comment to reporters as he entered the courthouse.

Steiner kept a diary that included notes about his phone conversation, and those notes have now been turned over to Fiske, sources say.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 2, 1994

LEVEL 3 - 19 OF 27 ITEMS

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April 1, 1994, Friday, Late Edition - Final

SECTION: Section A; Page 21; Column 6; National Desk

LENGTH: 457 words

HEADLINE: Treasury Aide Denies Pressure To Intervene In S.& L. Case

BYLINE: By STEPHEN LABATON, Special to The New York Times

DATELINE: WASHINGTON, March 31

BODY

A senior Treasury official told a Federal grand jury here today that he did not believe he was being pressured by the White House to intervene in an investigation of the savings and loan at the heart of the Whitewater case, people involved in the inquiry said today.

Last week the White House acknowledged that George Stephanopoulos, a senior adviser to President Clinton, called the Treasury official, Joshua Steiner, on Feb. 25 and angrily complained about the decision of a regulatory agency to hire a former Republican prosecutor, Jay B. Stephens, to investigate the collapse of the Madison Guaranty Savings and Loan Association.

Mr. Stephanopoulos's contact with the Treasury is now under investigation by Robert B. Fiske Jr., the special prosecutor in the Whitewater case, and by the White House.

But today Mr. Steiner, chief of staff to Treasury Secretary Lloyd Bentsen and a close friend of Mr. Stephanopoulos', told the grand jury that he did not think the White House aide had pressured him, people involved in the case said.

Two Hours of Testimony

Mr. Stephanopoulos has said that he was merely blowing off steam in the conversation with Mr. Steiner. Other Clinton Administration officials and lawyers have said that Mr. Stephanopoulos asked Mr. Steiner if the hiring was "final" or whether Mr. Stephens could be replaced. No evidence has been found to indicate that Mr. Steiner or any other Treasury officials took steps to have Mr. Stephens removed.

Emerging from a two-hour session before the grand jury in Washington this afternoon, Mr. Steiner declined to disclose his testimony, which was held in private. He has already provided Federal investigators with a diary that contains detailed accounts of his conversations with the White House and other officials about the investigation of Madison by the Resolution Trust Corporation.

The corporation, a Federal regulatory agency created in 1989, is responsible

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for the savings and loan bailout. Last month it retained Mr. Stephens, a former United States Attorney in Washington. Madison was run and owned by James B. McDougal, a business partner of the Clintons in the Whitewater Development Company, an Ozarks real estate venture. The Resolution Trust Corporation and Mr. Fiske are investigating whether the savings association made any improper loans to either Whitewater or Mr. Clinton's 1984 campaign for re-election as Governor of Arkansas.

Mr. Stephens has been publicly critical of the Administration, particularly since the Justice Department last year rejected his request to remain as United States Attorney to conclude its investigation of Representative Dan Rostenkowski, the Chicago Democrat who heads the House Ways and Means Committee.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 1, 1994

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LEVEL 3 - 20 OF 27 ITEMS

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April 1, 1994, Friday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 1157 words

HEADLINE: Senators Complained About RTC ;
Two From Arkansas Sought Review in Madison S&L Affair

SERIES: Occasional

BYLINE: Susan Schmidt, Washington Post Staff Writer

BODY

Arkansas' Democratic senators complained to top Clinton administration officials last year about the government's handling of legal claims against Seth Ward, a former Madison Guaranty Savings & Loan employee and father-in-law of former associate attorney general Webster L. Hubbell.

Sen. Dale Bumpers (D), who once called Ward a "good supporter," sent a May 26, 1993, letter about Ward's treatment by the Resolution Trust Corp. to White House counsel Bernard Nussbaum and Deputy Treasury Secretary Roger C. Altman, a political appointee serving as interim chief of the RTC. Bumpers also sent copies of the letter to three Arkansans working in the White House -- chief of staff Thomas F. "Mack" McLarty and William Kennedy III and the late Vincent Foster of the counsel's office.

Sen. David Pryor (D) lodged his complaint with Altman and top Treasury aide Joshua Steiner in July about the "appalling" waste of money and "abuse of power" by government attorneys in their attempt to recover Madison funds from Ward, a wealthy Arkansas businessman. Like Bumpers, Pryor asked Altman to review the RTC's settlement with Ward, which required him to return $ 340,000 in Madison funds to the RTC.

It does not appear the letters from Bumpers and Pryor, made available by the RTC under the Freedom of Information Act, resulted in any change in the RTC's treatment of Ward. Ward referred calls to his attorney, Alston Jennings, who declined to comment on the congressional correspondence.

McLarty said yesterday he did not remember receiving the letter but was "confident we didn't take any action on it."

A White House official said Nussbaum wrote to Bumpers in July acknowledging receipt of the letter but took no further action.

The letters from Bumpers and Pryor, which mentioned Ward as part of a broader attack on RTC litigation procedures, are the first indications members of Congress contacted political appointees on behalf of a prominent constituent who has come under federal scrutiny in the Madison affair.

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Altman has been under political fire and subpoenaed by a grand jury about contacts he had with White House officials on matters related to Madison while serving as head of the independent regulatory agency. Steiner testified before a grand jury in Washington yesterday and was expected to be asked about a complaint made by Clinton adviser George Stephanopoulos about the RTC's hiring of former Republican federal prosecutor Jay B. Stephens to handle some Madison civil cases.

In Congress, Republicans have seized on contacts between White House and RTC officials as evidence of political interference in the Madison probe.

One RTC investigator who worked on the case has gone to Congress to complain she felt pressured by her superiors.

President Clinton, Hillary Rodham Clinton and the Clinton gubernatorial campaign have been cited as possible beneficiaries of alleged illegal activities at Madison, which was owned in the mid-1980s by James B. McDougal, the Clintons' partner in the Whitewater land venture.

Howard Schloss, a spokesman for Altman and Steiner, said neither had had any contact with White House officials regarding the letters and that the letters had been handled routinely. A letter from Altman to Pryor dated Aug. 20, 1993, states he had asked the RTC's acting general counsel to find out about the Ward matter.

Another correspondence, dated Nov. 9, is a letter from RTC congressional affairs director Peter Knight sent to Pryor and Bumpers. Knight's letter said Ward's assertions of mistreatment were "erroneous" and that he "participated in a series of transactions involving Madison and [its real estate subsidiary] which enabled those entities to circumvent federal laws and regulations ... [and] led to the insolvency and failure of Madison Guaranty in 1989."

Madison transactions involving Ward are under investigation by special counsel Robert B. Fiske Jr. Ward's son-in-law, Hubbell, was a senior partner in the Rose Law Firm with Foster, Kennedy and Hillary Clinton before the four came to Washington.

Hubbell recently resigned from the Justice Department in the wake of reports he was under scrutiny by the firm for possibly overbilling clients.

The Rose firm also has complained Hubbell charged nearly $ 500,000 in consulting fees and legal expenses to the firm that should have been paid by a company owned by the Ward family, P.O.M. Inc., a major Rose client.

Pryor and Bumpers said the letters sent last year were their only contacts with Clinton administration officials on the Ward case.

Pryor said he did not know Ward. His letter, he said, was simply representing a constituent interest and venting his belief RTC lawyers go overboard in pursuing S&L officials.

Bumpers's letter to Altman and White House officials also complained the RTC has been too aggressive in its pursuit of damages from directors and officers of failed S&Ls, and he urged a review of RTC policies on lawsuits.

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Bumpers said he directed his letter to White House officials because of the larger policy issue, not the Ward case in particular. "I wasn't trying to get the White House involved in it," said Bumpers.

As an independent agency, the RTC makes decisions on lawsuits based on standards set out in the 1989 federal law that created the agency.

Altman last May told Congress the Clinton administration did not share the prevailing Democratic sentiment favoring extension of the legal deadline in S&L cases. Congress extended the deadline anyway, and voted to extend it a second time in February when it appeared the deadline was about to lapse for cases involving Madison.

During Hubbell's confirmation hearing as associate attorney general last year, Bumpers described Ward as "a good supporter." Ward, who is a pilot, "used to fly me around on my campaigns," Bumpers told the Senate Judiciary Committee.

This week Bumpers said he had not seen Ward "in 10 or 15 years. . . . As far as I know, he's a Republican."

Ward was hired by Madison's real estate subsidiary in 1985 to help find big real estate deals for the thrift. In a side deal never approved by Madison's board, McDougal agreed to pay Ward $ 400,000 in commissions from land sales federal bank examiners later described as "sham" transactions that showered insiders with fees and commissions and cost the S&L $ 1.8 million.

Ward complained to his senators last May when, after years of legal wrangling, he was forced to return funds to the RTC.

Ward's legal problems with the RTC also became an issue with Hubbell, who helped the Rose firm secure S&L work from the RTC and Federal Deposit Insurance Corp. Agency documents show some officials were concerned about Hubbell's work for the government while it was pursuing litigation against his father-in-law.

But officials concluded the family relationship did not constitute a conflict of interest that would disqualify Hubbell from securing the government work.

GRAPHIC: PHOTO, SETH WARD WAS REQUIRED TO RETURN $340,000 IN RTC SETTLEMENT.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: April 1, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 25, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are thirteen (13) news articles from Nexis, relating to Madison Guaranty, dated March 24, 1994.

LEVEL 1 - 1 OF 13 ITEMS

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

March 24, 1994, Thursday, AM cycle

SECTION: Washington Dateline

LENGTH: 904 words

HEADLINE: GOP Lawmakers Accuses Regulators Of Trying to Hinder Investigation

BYLINE: By LARRY MARGASAK, Associated Press Writer

DATELINE: WASHINGTON

BODY

The House's top Whitewater critic accused federal regulators Thursday of attempting to alter a criminal referral - and trying to muzzle their own investigators - in a potential criminal case involving President Clinton's real estate investment.

In a House speech that at times was highly partisan, Rep. Jim Leach of Iowa said the investigators "courageously" pressed on with their case, despite efforts of superiors to get them to change their findings.

Leach also charged that the Whitewater land venture had been used to "skim" federally insured depositor funds from the failed Madison Guaranty Savings & Loan owned by James McDougal, the Clintons' Whitewater business partner.

He said federal S&L investigators concluded that some $ 70,000 improperly went from the S&L or its related companies to Whitewater over one six-month period.

It was such conclusion, Leach alleged, that top S&L regulators inquired about changing. He said the officials tried to pressure the regional investigators to conclude that Clinton's Arkansas real estate venture "was not responsible for any losses" at Madison.

"Courageously, Kansas City investigators refused to allow Washington ... objections to change the content of the referrals they sent in ... October 1993 to the Justice Department," Leach said.

Leach, ranking Republican on the House Banking Committee, said top regulators' briefings of White House officials on the investigation "must be understood in the context" of these disclosures.

Leach said one senior regional investigator "was removed from the case" for resisting superiors. She and her colleagues "have sought whistleblower

protection rather than comply with the Washington ... gag order" that prevents them from speaking with a special counsel without clearance from their superiors.

Leach sharply criticized letters from the Democratic chairman of the banking committee, Henry B. Gonzalez, to regulators urging them not to cooperate with Leach.

Leach said the letters "imply the possibility that they have been requested by the administration to bolster its efforts to deny information to the Congress and thereby the public. ...

"At issue," Leach said, "would be a collusive effort by the majority party in the Congress to aid and abet the executive branch in its concerted effort to deny disclosure of information."

Leach's comments referred to the probe by the Resolution Trust Corp., the savings and loan cleanup agency.

The RTC has investigated whether depositors' money from the failed Madison Guaranty Savings & Loan went improperly to Clinton's former Arkansas real estate venture, called Whitewater, or to pay off Clinton's gubernatorial campaign debts.

Leach, in addition to his speech, released a series of documents in the case.

In one memo to her own file, Kansas City regulator L. Jean Lewis related a story of how a regulator from Washington, April Breslaw, had told her "the people at the top" wanted to say that Whitewater did not cause a loss to Madison.

Lewis, who was a key investigator on Madison, wrote that Breslaw said the superiors wanted a "honest answer" but would be "happier about certain answers that would get them off the hook." Lewis wrote she reiterated to Breslaw that she believed Whitewater had caused losses to Madison.

In the same memo, Lewis implicitly questioned whether Clinton and his wife could claim ignorance that Madison - owned by Clinton's business partner - was the source of Whitewater money.

"If you know that your mortgages are being paid, but you aren't putting money into the venture, and you also know the venture isn't cash flowing, wouldn't you question the source of the funds being used to your benefit?" Lewis asked.

"Wouldn't you wonder even more if you knew that your business partner's main source of income, an S&L, was in serious financial difficulty, which by 1985 was fairly common knowledge?"

RTC investigators from Kansas City, Mo., the office in charge of Arkansas, concluded in September 1993 that the Justice Department should conduct a criminal investigation of Madison and Whitewater.

Washington officials of the RTC and the Treasury Department briefed top White House officials about the criminal referral, triggering grand jury subpoenas to administration officials from special counsel Robert B. Fiske Jr.

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The RTC and Treasury officials have contended they never discussed the substance of the referral but just gave the White House a "heads up."

"The question of whether a 'heads up' was appropriate is of significance," Leach said. "More so, is whether the line between a 'heads up' and a cover-up was crossed."

Leach said:

-In the last week of September 1993, the Kansas City officials sent their referrals to Washington. Within a few days of receipt of the referrals in Washington, top RTC officials visited the White House.

-Within a few weeks, "in an unprecedented change of procedure," Washington officials demanded to review all Madison referrals. A few months later, a senior Kansas City criminal investigator was removed from the case.

-Officials from the RTC in Washington visited Kansas City "to pass on the determined message that senior RTC officials in Washington want it understood that they wished to claim Whitewater was not responsible for any losses at Madison."

-Kansas City investigators refused to back the Washington position that Madison's losses were unrelated to Whitewater.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 24, 1994

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LEVEL 1 - 2 OF 13 ITEMS

The Associated Press

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March 24, 1994, Thursday, PM cycle

SECTION: Washington Dateline

LENGTH: 677 words

HEADLINE: Clinton Likely to Face Whitewater Questions Tonight

BYLINE: By NANCY BENAC, Associated Press Writer

DATELINE: WASHINGTON

BODY

When President Clinton goes before reporters tonight in the East Room, he is sure to face questions about Whitewater, an obscure Arkansas land deal that has evolved into a big political headache.

The White House is billing Clinton's 7:30 p.m. EST news conference as a forum for him to report to the nation on his legislative agenda before Congress begins its Easter recess and Clinton embarks on a Western vacation.

"I'm going to make a report to the American people about what we're trying to do up here, about the work we're doing on the crime bill, on health care, on a number of important issues," Clinton said this morning before going to Capitol Hill to press his case for health care reform.

White House press secretary Dee Dee Myers said Clinton planned to prepare for the news conference this afternoon, reading background material and taking mock questions from his staff. She said he may mention the Whitewater affair in his brief opening statement, "but this is not about Whitewater."

Questions about Whitewater are inevitable, however.

The failure of Arkansas' Madison Guaranty Savings and Loan and the related Whitewater land deal has been the focus of intense media scrutiny and is under investigation by special counsel Robert Fiske. Congress plans hearings on the subject as well.

At issue is whether funds from Madison were illegally diverted to benefit Whitewater, the Clintons or other prominent Arkansans. Questions also have been raised about how much the Clintons invested and lost on Whitewater.

Fiske's probe also covers questions about the apparent suicide of Deputy White House Counsel Vincent Foster last year and about meetings between federal regulators and White House staff in which the Madison S&L investigation was

discussed.

Clinton insists there was no wrongdoing by him or Hillary Rodham Clinton.

Possible questions for Clinton:

-Did the Clintons take Whitewater-related income tax deductions to which they were not entitled and did they overstate their losses in claiming they lost $ 68,900 on the deal? Clinton says the matter is under review.

-Why won't the Clintons make public their tax returns for 1978 and 1979, the years in which their Whitewater investments and lucrative investments in cattle futures occurred?

-What was Clinton's relationship to David Hale, a former Arkansas municipal judge who has pleaded guilty to fraud involving the operation of his federally backed lending company. Hale claims Clinton encouraged him to make a questionable $ 300,000 Small Business Administration-guaranteed loan to a McDougal company. Clinton has called the charge "bull."

-James McDougal, who owned Madison and brought the Clintons into the Whitewater deal, has said he could clear the Clintons' names if Mrs. Clinton would turn over the Whitewater records he gave them. Why hasn't she done that? The records have been turned over to the special counsel but not made public.

-Did the Clintons ever have any financial dealings with Madison Guaranty?

-Did the White House take any action based on information about the investigation that White House aides received in meetings and telephone calls with regulators? White House aides have said they made no attempt to influence the investigation.

-Who informed the president and Mrs. Clinton that Whitewater would be part of the federal investigation? Clinton has said he thinks he heard about it from aide Bruce Lindsey, who attended one of the meetings with regulators. Aides to Mrs. Clinton, whose chief of staff was in one of the meetings, said she heard about it from press reports.

-What was the extent of Mrs. Clinton's legal work on behalf of Madison and her relationship with appointed state officials at the time Clinton was governor? Mrs. Clinton has said her work for Madison was limited to research on Arkansas banking laws.

-What Whitewater-related matters was Foster working on at the time of his apparent suicide, and why were Whitewater documents quickly removed from his office by White House aides immediately after his death?

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 24, 1994

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LEVEL 1 - 3 OF 13 ITEMS

The Associated Press

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March 24, 1994, Thursday, PM cycle

SECTION: Domestic News

LENGTH: 550 words

HEADLINE: Grand Jury Ready to Begin Work on Whitewater Probe

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

Whitewater special counsel Robert Fiske has a grand jury ready to hear testimony in the investigation of President and Mrs. Clinton's land dealings, but they won't be going to work immediately.

"The jury is not going to work this week. The special counsel will set up a schedule with them. I don't know if it will be made public," Mary Buford said Wednesday after the grand jury's 23 members had been chosen.

Mrs. Buford is the grand jury coordinator for the Little Rock-based Eastern District of Arkansas.

It took about 5 hours choose the panel's members from 139 potential jurors who reported to court Wednesday morning. They will assist Fiske as he looks into the Whitewater Development Corp. land deals.

At least one witness is ready to testify - former municipal judge David L. Hale, who pleaded guilty Tuesday to a pair of felony fraud charges Tuesday as part of an agreement to cooperate with federal authorities.

It wasn't clear Wednesday when Hale would take the witness stand. The former judge, who has alleged that then-Gov. Bill Clinton urged him to make an improper, government-backed loan to a business associate of Clintons, has been cooperating with authorities for more than two weeks.

The process of picking the jurors went slowly Wednesday. The panelists went through a routine, hour-long orientation before being escorted by court officials to a fourth-floor courtroom where the questioning began in earnest.

Fiske's investigation centers on the failure of Madison Guaranty Savings and Loan, which was owned by Clinton business partner James McDougal. Fiske is trying to learn whether Madison depositor funds were diverted to the Whitewater Development Corp., which was owned by the Clintons, McDougal and his then-wife,

Susan, and whether S&L money was improperly used to help retire Clinton's 1984 gubernatorial campaign debt.

Hale has claimed that Clinton asked him to make a loan, backed with Small Business Administration funds, to Susan McDougal. About $ 100,000 of the $ 300,000 loan ended up in Whitewater accounts.

Courtroom security was tight. Reporters were barred from entering the chamber by a pair of federal marshals who explained that Judge Stephen M. Reasoner ordered the courtroom sealed.

Prospective jurors sat inside for nearly two hours as prosecutors began their presentation.

"There was a whole lot of discussion in there, but they told us not to talk about it," one potential panelist told a reporter as the group broke for lunch. "They can kick us off for talking to you folks."

Fiske asked a federal judge at Little Rock to empanel a new grand jury in February, saying that his investigation could take longer than the year's term of a normal grand jury. The panel chosen Wednesday will meet for up to 18 months.

Typically, federal grand juries meet twice or three times a week, although jurors are always on call during their tenure.

Fiske already has taken some testimony in the probe before a grand jury in Washington and the regular grand jury in Little Rock. The standard operating procedure for split grand juries is for testimony to be presented in written form to the main grand jury, which in this case would be the one in Little Rock. Excerpts from the written testimony generally are read aloud to jurors by prosecutors.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 24, 1994

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LEVEL 1 - 4 OF 13 ITEMS

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Los Angeles Times

March 24, 1994, Thursday, Home Edition

SECTION: Part A; Page 12; Column 1; National Desk

LENGTH: 1005 words

HEADLINE: NEWS ANALYSIS;
CONGRESSIONAL DEMOCRATS EDGING AWAY FROM CLINTON;
POLITICS: MOVE TO HOLD HEARINGS ON WHITEWATER SHOWS DISSATISFACTION WITH WHITE HOUSE, OBSERVERS SAY. PRESIDENT'S STRATEGY ON ISSUE CALLED 'NAIVE.'

BYLINE: By RONALD BROWNSTEN, TIMES POLITICAL WRITER

DATELINE: WASHINGTON

BODY

The move by congressional Democrats toward hearings on Whitewater reflects growing dissatisfaction with White House management of the controversy and rising desire among many Democrats to distance themselves from President Clinton on the issue, legislators and party political consultants said Wednesday.

To some extent, the drive for hearings demonstrates that senior legislative Democrats believe Republicans are making gains in their argument that Congress has been joining with the White House in an attempt to avoid inquiry. Legislative and White House officials said that they agree the decision also illuminates a long-standing unwillingness among many congressional Democrats to bind their fates too closely to Clinton's.

"I don't think it does a lot of good necessarily to be a 'friend of Bill' in some of these (congressional) districts," said one leading House moderate.

Democrats on Capitol Hill said that they have yet to see anything that belies the President's claim that he has not done anything wrong. But the decision to accept hearings illustrated their growing belief that the White House compounded its problems by resisting each new step toward disclosure -- from release of documents relating to the original investment by President Clinton and First Lady Hillary Rodham Clinton while Clinton was Arkansas governor, to appointment of a special prosecutor, to congressional hearings.

"It is clear that the political strategy in the White House was not succeeding, that the story had legs of its own, and it was counterproductive to try and delay," said the House moderate. "Theirs was a naive approach."

So far, according to congressional Democrats, the enormous press and political focus on Whitewater has not seriously slowed down other legislative activities: Major education and crime bills are moving toward completion and in the House, Democrats believe they are making progress toward compromise on the Administration's massive health care reform plan.

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Indeed, Republican strategist William Kristol warned in a memo this week that the GOP's preoccupation with Whitewater "is keeping Republicans from being able to focus on health care at just the moment . . . when inattention to the issue is most dangerous."

White House and congressional strategists admitted that they are uncertain whether agreeing to hearings has increased or diminished the prospect of Whitewater impeding other legislative initiatives. But it is clear that many Democrats believed resisting hearings might prove more disruptive than accepting them, with the Republicans hammering away.

Democrats acknowledged that hearings represent a roll of the dice that could open unanticipated new questions and increase public attention on the controversy. "If we get into hearings, it can be dragged out for a year, which would be a real problem," said one senior House Democrat.

Special counsel Robert B. Fiske Jr. is looking into allegations that Clinton may have benefited improperly from his association with James B. McDougal, owner of the failed Madison Guaranty Savings & Loan and partner with the Clintons in the Whitewater Development Corp. Although Fiske's inquiry centers on Whitewater, he also is investigating the apparent suicide of White House Deputy Counsel Vincent Foster last July. His inquiry also encompasses the role played by Mrs. Clinton and her firm in representing Whitewater and Madison Guaranty.

In both houses, Republicans and Democrats have just begun negotiations over the timing and scope of the hearings and over whether they will be conducted by existing committees or panels formed specifically for that purpose. House Speaker Thomas S. Foley (D-Wash.) said in television interviews Wednesday that there is little prospect of joint House-Senate hearings.

The resolutions passed in both houses call for hearings that would not interfere with Fiske's investigation. Congressional officials said that Fiske has assured them he intends to finish the Washington elements of his investigation sometime in April, which could open the door for hearings soon afterward.

The first step could be rescheduling the recently delayed House Banking, Finance and Urban Affairs Committee oversight hearings on the Resolution Trust Corp. -- at which Republicans have said they intend to press questions about White House contact with investigators looking into the failure of Madison Guaranty.

"My calculus is that I would like to get this over as quickly as possible," especially with mid-term elections approaching in the fall, said a House leadership aide.

Publicly, Administration officials from the President on down have insisted that Congress alone should decide whether to conduct hearings. But, privately, senior officials have resisted hearings, arguing that they would interfere with the special counsel's investigation.

Until last week, the Democratic leadership in both chambers had staunchly backed the Administration's position. But over the past week that opposition has crumbled, as greater numbers of rank-and-file Democrats have grown uneasy about

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resisting the GOP demands.

In the end, said the senior House Democrat, the party leadership in both houses was forced to capitulate "because they were afraid of losing a vote on the floor" if Republicans offered an amendment demanding hearings.

Congressional Democrats are not acting based on any sign that voters have focused on Whitewater or made any final judgments against the President on the controversy, political consultants and congressional aides said. "This isn't Watergate in the sense that people are riveted by it," said Democratic media consultant Joe Trippi.

But Democrats said they fear that prolonging the fight over hearings could eventually strengthen GOP and conservative charges that Congress was attempting to sweep Whitewater questions under the rug.

And while there was little evidence of voter anger over Whitewater, the issue's high profile has tended to reinforce public skepticism about Washington.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 25, 1994

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LEVEL 1 - 5 OF 13 ITEMS

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Los Angeles Times

March 24, 1994, Thursday, Home Edition

SECTION: Part A; Page 13; Column 1; National Desk

LENGTH: 875 words

HEADLINE: CLINTON AIDE IS PENALIZED IN TAX DISPUTE;
WHITE HOUSE: ASSOCIATE COUNSEL WILLIAM H. KENNEDY III IS RELIEVED OF SOME DUTIES. HE HAD FAILED TO PAY SOCIAL SECURITY LEVIES FOR A NANNY.

BYLINE: By JOHN M. BRODER, TIMES STAFF WRITER

DATELINE: WASHINGTON

BODY

White House Associate Counsel William H. Kennedy III was stripped of two areas of responsibility Wednesday because of disclosures that he failed to pay Social Security taxes for a nanny despite warnings from his superiors, officials said Wednesday.

White House Chief of Staff Thomas (Mack) McLarty and incoming Special Counsel Lloyd N. Cutler decided to relieve Kennedy of the duties rather than fire him. They did so in part because he is going through a difficult divorce and they did not want to add to his personal problems or to the Administration's embarrassment over the recent departure of a number of top aides, a senior White House official said Wednesday night.

Kennedy will no longer be in charge of reviewing tax-compliance matters or security clearances for White House officials because both duties involve background checks of government personnel. Such checks include whether employees paid taxes for household workers.

Also Wednesday, the White House indicated that President Clinton is likely to revise downward his estimate of losses that he and First Lady Hillary Rodham Clinton suffered in the failed Whitewater Development Corp. land deal in Arkansas.

A senior White House aide said there is "a good possibility" that Clinton would acknowledge at a news conference today that a review of the investment in the real estate deal has found that the First Family lost considerably less money than previously claimed.

The Clintons, relying on a partial audit of the Whitewater project conducted in early 1992 by Denver attorney James Lyons, have said they lost $68,900 on the vacation property deal.

But the Clintons' current personal lawyer, David Kendall, has concluded after his own review that the Clintons lost less than that.

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"It's still a measurable loss," the White House aide said, but not as much as previously thought. He said it is not yet known whether the Clintons owe additional taxes because they over-deducted for Whitewater interest costs.

The aide also said Clinton is prepared to release in the near future his tax returns for 1978 and 1979, which have never been made public.

They are of interest because they would reflect the size of the Clintons' initial investment in the Whitewater project, which the Clintons' owned with Arkansas businessman James B. McDougal during those two years.

McDougal has estimated the Clintons' losses in Whitewater at $13,000.

The timing of today's press conference was prompted in part by the Clintons' plans to leave Washington on Friday for a six-day Easter vacation in Texas and California. The President did not want to leave town with the appearance that he was ducking questions about the Whitewater deal, aides said.

Whitewater special counsel Robert B. Fiske Jr. is looking into allegations that the Clintons may have benefited improperly from their association with McDougal, who owned the failed Madison Guaranty Savings & Loan.

Although the special counsel's inquiry centers on the Whitewater controversy, Fiske is also investigating the apparent suicide of Deputy White House Counsel Vincent Foster last July and the role played by Hillary Clinton and the Rose Law Firm, where she was a partner, in representing Whitewater Development and Madison Guaranty.

The President has answered questions on the Whitewater case at two extended press conferences during the last two weeks, but new issues, some with only tangential relationships to the scandal, seem to arise every day.

Kennedy's problems are a case in point.

Among his other duties, Kennedy was responsible for ensuring the compliance of Administration officials with tax laws relating to household help.

Kennedy was a partner of Hillary Clinton at the Rose Law Firm. Two other lawyers of the firm have also served in the Administration, Foster, who was Kennedy's boss, and Webster Hubbell who resigned earlier this month from the No. 3 job at the Justice Department in order to deal with a billing dispute with his former partners.

White House officials said Tuesday that Kennedy paid $1,352.52 in back taxes and penalties before starting work in February, 1993. The money was for Social Security taxes owed for the employment of a nanny for his children in 1992.

The payment was made under his wife's former married name, but Kennedy denied that he did so to conceal the late payment from the IRS or the FBI, which was conducting a background check on him in connection with his new White House job.

On Wednesday, officials conceded that Kennedy did not pay his 1991 taxes for the nanny until this month. Kennedy told associates that he feared the non-payment would become public in the record of his divorce proceedings.

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"He owed about $800 in back taxes (for 1991)," said White House Press Secretary Dee Dee Myers. "He should have paid them. He has now paid them."

According to his financial disclosure form, Kennedy was paid $587,000 in 1992 by the Rose Law Firm, where he was managing partner.

Myers said Kennedy had been told last year by Foster and Foster's boss, departing White House Counsel Bernard Nussbaum, as well as by Myers herself, that he should make good on any back taxes owed for household help.

Times staff writer James Risen contributed to this story.

GRAPHIC: Photo, (Southland Edition, A1) William H. Kennedy III. Associated Press

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 25, 1994

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LEVEL 1 - 6 OF 13 ITEMS

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The New York Times

March 24, 1994, Thursday, Late Edition - Final

SECTION: Section A; Page 1; Column 1; National Desk

LENGTH: 1269 words

HEADLINE: White House Aide Who Failed to Pay A Tax Is Punished

BYLINE: By DOUGLAS JEHL, Special to The New York Times

DATELINE: WASHINGTON, March 23

BODY

A senior White House lawyer, William H. Kennedy 3d, was stripped tonight of his job overseeing background checks of Administration appointees after lapses that suggested that he himself had sought to conceal embarrassing information.

The announcement, in a terse White House statement, followed an intensive review by top Clinton aides of Mr. Kennedy's conduct, including his failure until three weeks ago to pay 1991 Social Security taxes for a nanny employed by him and his wife.

Mr. Kennedy has also acknowledged taking the unusual step early last year -- about the time he was undergoing his own background review -- of using a check imprinted with his wife's old name to pay 1992 Social Security taxes for the nanny.

Mr. Kennedy, an associate White House counsel and a former law partner of Hillary Rodham Clinton, will be reassigned to less important duties within the counsel's office. In deciding not to dismiss him, Thomas F. McLarty 3d, the White House chief of staff, took into consideration that Mr. Kennedy is in the middle of a contentious divorce and has recently weathered other personal setbacks, a senior Administration official said.

Mr. Kennedy's failure to pay his 1991 taxes until recently was reported today in The Washington Post.

As the official responsible for reviewing the backgrounds of virtually every senior Administration appointee, any appearance that Mr. Kennedy concealed damaging information about himself is highly embarrassing. White House officials insisted that Mr. Kennedy had made an "honest mistake" in failing to pay his taxes, but they said the impression he had created had given Mr. McLarty and Lloyd N. Cutler, the White House's new special counsel, no option but to discipline him.

But the officials said that Mr. Kennedy had not informed the former White House counsel, Bernard W. Nussbaum, or Mr. McLarty about his original tax problem, and told White House officials only last month that he had owed taxes dating from 1991.

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In a White House atmosphere supercharged by various accusations of misconduct, including those related to the Whitewater affair, officials said today that Mr. Kennedy's troubles had been compounded by his responsibility for delays in forwarding to the Secret Service files with information about scores of White House officials.

Those delays were among the factors that kept the Secret Service from completing, until recently, reviews necessary for nearly 300 officials to receive permanent White House passes. White House officials offered no explanation tonight for Mr. Kennedy's withholding of those files, in some cases for many months, but they said mishandling of the process was as much a factor in his being disciplined as was his failure to pay the taxes.

First Test for Cutler

For Mr. Cutler, installed earlier this month as the White House's ethical guardian, Mr. Kennedy's case was the first test of a White House pledge that the conduct of the staff would be held to standards that could not be questioned.

Mr. Cutler, who met with Mr. Kennedy at length today, is continuing to review his handling of the Social Security tax matter, a senior White House official said tonight. In addition to being stripped of his role in overseeing the investigation of appointees and the issuing of passes, the senior official said, it was also possible that Mr. Kennedy could be demoted to assistant White House counsel.

In its statement, the White House said his place would be taken by another associate White House counsel, Beth Nolan.

Mr. Kennedy, 42, a former managing partner of the Rose firm, was reprimanded last summer after an internal White House review concluded he had improperly pressured the Federal Bureau of Investigation to assist the White House in its inquiry into wrongdoing in the travel office.

Except for Mrs. Clinton, he is the last member of the Little Rock firm still in the Administration, which also plucked from it Vincent W. Foster Jr., the deputy White House counsel who committed suicide last summer, and Webster L. Hubbell, who resigned as Associate Attorney General last week amid accusations from his former law partners that he overbilled his law firm and clients.

In an interview published this morning in USA Today, Mr. Clinton complained that news organizations had adopted a "presumption against the White House" in their coverage of the Whitewater case. But even before Mr. Kennedy's reassignment was announced, Mr. Clinton scheduled a prime-time news conference Thursday night in a step intended in part to confront new questions about the Whitewater matter.

At the White House, a spokewoman, Dee Dee Myers, insisted today that Mr. Kennedy had not intended to conceal either his failure to pay the 1991 taxes until recently or the 1992 payment he made earlier under his wife's name.

The White House was forced last year to withdraw several nominations for Administration posts after the nominees were similarly found to have failed to

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pay taxes for household help,most notably the President's first choice for Attorney General, Zoe Baird. A memorandum issued to the White House staff last March ordered that all such taxes be brought up to date.

Mr. Kennedy did not return telephone calls to his office today. He told The Washington Post that he had told Mr. Nussbaum and Bruce Lindsey, a senior adviser to Mr. Clinton, only in mid-February that he had a problem with his taxes.

Today, White House officials said that Mr. Kennedy explained to them in recent days that his nanny had asked to be paid in cash, and that he had agreed to do so through 1991 and 1992 but had left the details up to his wife. He said he had neglected to pay his 1991 taxes until recently because he was unable to determine how much the nanny had been paid.

The officials said he directed his accountants to estimate the 1991 taxes, and paid about $700 within the last three weeks, leaving it to the Government to determine interest and penalties.

The unusual circumstances in which Mr. Kennedy earlier paid the 1992 taxes for the same nanny were reported on Tuesday by The Wall Street Journal. The Journal said that Mr. Kennedy informed Mr. Foster, who had been his partner at the Rose firm, in January 1993 of his failure to pay the 1992 taxes, and arranged to pay about $3,000 in back taxes, interest and penalties. But Mr. Kennedy made the payment by check in his wife's former name, Leslie Gail McRae, who took his name when they married.

Mr. Kennedy's troubles have added to a deep sense of uneasiness at the White House, already feeling uncomfortable about Deputy Treasury Secretary Roger C. Altman's changing accounts of his discussions with Mr. Clinton's top aides about whether to recuse himself from a Resolution Trust Corporation inquiry into Madison Guaranty Savings and Loan, which was owned by the Clintons' partner in the Whitewater real estate venture, James B. McDougal.

Mr. Altman's changing accounts of those discussions, in four letters to Congress, have put the White House officials he has cited in an awkward position, and Lloyd Bentsen, the Treasury Secretary, has made what associates describe as an unmistakable effort to distance himself from his deputy by ordering Internal Revenue Service agents to search the offices of Mr. Altman and others for evidence of communications between them and the White House about the inquiry.

Clinton on TV

The following television networks have scheduled broadcasts of the President's news conference tonight at 7:30: CBS (channel 2), NBC (channel 4), ABC (channel 7), FOX 5 (channel 5), PBS, CNN and C-SPAN.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 24, 1994

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LEVEL 1 - 7 OF 13 ITEMS

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March 24, 1994, Thursday, Late Edition - Final

SECTION: Section A; Page 18; Column 1; National Desk

LENGTH: 1277 words

HEADLINE: A Populist From Texas Who Bows to No One

BYLINE: By MICHAEL WINES, Special to The New York Times

DATELINE: WASHINGTON, March 23

BODY

Lawmakers were utterly appalled this week when Representative Henry B. Gonzalez dispatched a paint-peeling letter to his colleague Jim Leach, calling the Iowa Republican obdurate, obstinate, premeditated, willfully disobedient and, by clear implication, irresponsible.

That is not to say anyone was particularly surprised.

Not for nothing do friends and enemies alike call Mr. Gonzalez "Gonzo" although not to his face if they know what is good for them.

Mr. Gonzalez, the 77-year-old Texas Democrat who heads the House Banking Committee, is in trouble for his scorching letter, which told Mr. Leach it would be a cold day in Manila before the Banking Committee would let him interrogate witnesses at length about President Clinton's Whitewater travails.

Days before, Mr. Gonzalez seemed to have agreed to do just that, and his bitter turnabout bollixed his fellow Democrats. They not only apologized to Mr. Leach, but also voted hastily for an even bigger Whitewater inquiry just so no Republican could charge that Mr. Gonzalez was trying to hide Mr. Clinton's dirty laundry.

Many lawmakers might be chastened by such a gaffe, but Mr. Gonzalez is unlikely to be among them. To the contrary, Mr. Gonzalez is universally regarded as a stormy-tempered, stubborn, contrary, fiercely unabashed populist, beholden to no one and disinclined to issue apologies. He did not reply to several requests for an interview.

33 Years Equals Power

It is a fearsome stew of traits that has helped him roll over weaker lawmakers and cultivate real power in 33 years in the House. His bulldog nature showed most clearly in the early 1990's, when the Banking Committee staged explosive hearings that charged the Bush Administration with conspiring to sell advanced weapons to President Saddam Hussein of Iraq and publicized embarrassing ties between President Bush's son Neil and a bankrupt savings and loan.

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The hearings wounded the Republicans at the start of the 1992 Presidential campaign and earned Mr. Gonzalez a stack of chits from House leaders.

But Mr. Gonzalez also has a reputation for eccentricity that even admirers say has diluted his influence and has placed his hold on the source of his power, the chairmanship of the banking panel, in jeopardy.

"Anybody who stands against the powers that be, and is so forcefully on the side of that powers that ought to be, is going to be attacked and marginalized and trivialized," said Jim Hightower, a fellow Texas Democrat and populist. "And Henry has suffered that. But he's above it."

And Mr. Gonzalez seems not to care a lot what others think.

When he was 47 and a freshman in the House, a fellow Texas lawmaker, Representative Ed Foreman, called him a Communist. Mr. Gonzalez invited the Republican into the Speaker's lobby and took retribution although he denied reports that he tried to deck the poor fellow.

'It Was a Shove'

"It was a shove," he said at the time. "But my hand went into him three inches -- he's so soft."

When Mr. Gonzalez was 70, he overheard another 40-year-old man calling him a Communist, this time in a San Antonio restaurant. He said that the man was toting a pistol and a nine-inch hunting knife but that he blackened his eye anyway.

"If I wanted to cold-cock him, I could have," he said later.

Those are but his social activities. In the House, Mr. Gonzalez has demanded the impeachment of Ronald Reagan and George Bush and the removal of several other Federal officials, one of whom he called "an unconscionable scoundrel."

He once dubbed Housing Secretary Samuel R. Pierce Jr., who is black, Stepin Fetchit for his acquiescence to Republican cuts in poverty programs. He has campaigned for decades to abolish the Federal Reserve, and he has called for imposing a ceiling on interest rates.

In 1977, when he quit as head of the House Assassinations Committee, he said the murder of John F. Kennedy would never be solved because "vast and powerful forces, including the country's most sophisticated crime element, won't stand for it."

One of a Kind Committee

Members of the Banking Committee, lobbyists and former aides say Mr. Gonzalez runs the panel unlike any other in the House. He is frequently on the losing side of committee votes on legislation, in part, they say, because he seldom gathers Democratic committee members together for back-room strategizing.

All this dismays some people, who cast Mr. Gonzalez as something of a loose cannon.

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But there is another view. "He believes it, and so he says it -- it's a measure of his intellectual honesty," said Burt Ely, an Alexandria, Va., banking consultant. "There may be a lot of others who have equally wacky ideas and keep it to themselves because they're afraid of the public reaction."

Mr. Gonzalez said as much in 1992 to The Washington Post. "Keep making speeches," he said, "and eventually people will hear you."

Occasionally, people have. Mr. Gonzalez was a warning bell on nuclear safety years before the nation's worst nuclear accident at the Three Mile Island plant near Harrisburg, Pa., in 1979, and a decade before the rising tide of radioactive waste from power plants and bomb factories became a serious public concern.

Mr. Hightower said Mr. Gonzalez approached the issues from the viewpoint of the underprivileged.

Impoverished Background

Some of that stems from his background. Mr. Gonzalez's ancestors came from Europe to Mexico in 1561 and grew rich and powerful from investments in silver mines and ranch land. But the family fled to San Antonio in 1911, under attack from revolutionaries led by Pancho Villa, and Mr. Gonzalez was born into poverty mixed with discrimination.

Mr. Gonzalez still lives political life with an exaggerated lack of pretense. He shuns Washington society and spends off hours reading in his smallapartment. His family never moved to Washington; he returns to Texas almost every weekend.

And his attacks on Mr. Bush aside, Mr. Gonzalez seems remarkably resistant to partisan pressures on most issues. Liberal Democrats tried to block his rise to head the banking panel in 1990 after he helped a Republican, Representative Chalmers Wylie of Ohio, with an ad. Republicans say his refusal to cut back-room deals with fellow Democrats and lobbyists makes for unusually even-handed, if chaotic legislating.

Given that, his handling of Republican demands for hearings on Whitewater has puzzled many.

Unusually Partisan

For months, Mr. Gonzalez seemed uncharacteristically partisan. He scoffed at hearings on Mr. Clinton's ties to a failed Arkansas savings and loan, Madison Guaranty.

When Mr. Leach found a loophole that allowed him to raise Whitewater at a routine committee hearing, Mr. Gonzalez relented and scheduled a session. His abrupt backpedaling this week surprised Democrats and provoked speculation over his motives.

One lawmaker suggested it was a rebuke to The New York Times columnist William Safire, an admirer of Mr. Gonzalez's Iraq inquiry, who accused him this month of unseemly foot-dragging on Whitewater. Others wondered if Mr. Gonzalez overreacted to pressure from Democratic leaders to hold off Whitewater hearings

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for a while longer, or face the loss of his committee chairmanship.

Perhaps the Safire suggestion is correct. But a top Democrat on the Banking Committee, Representative Barney Frank of Massachusetts, says the notion that Mr. Gonzalez bends to pressure is, well, gonzo.

"People who suggest that the chairman of the Banking Committee is somehow under the direction of the leadership," he said this week in the House, "do not know the chairman of the Banking Committee."

GRAPHIC: Photo: Henry B. Gonzalez, the Texas Democrat who leads the House Banking Committee, at a committee hearing yesterday. Mr. Gonzalez has charted a zigzag course on Whitewater hearings in Congress. (Stephen Crowley/The New York Times)

LANGUAGE: ENGLISH

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LEVEL 1 - 8 OF 13 ITEMS

Times Publishing Company
St. Petersburg Times

March 24, 1994, Thursday, City Edition

SECTION: EDITORIAL; LETTERS; Pg. 17A

LENGTH: 1844 words

HEADLINE: Is Whitewater being used as a 'partisan smokescreen'?

BODY

Re: Molly Ivins' Whitewater's froth obscures the important story, March 18.

Ivins cuts to the chase with her usual alacrity. Politicians are using Whitewater as a partisan smokescreen to hide their culpability in stopping legislation important to the survival of the country. They are trying to balance their meager credibility against hidden income from those business people who have a stake in any given legislative issue. The forces against single-payer health care are buying time, literally, for their multimillion-dollar propaganda campaign to force us away from real health care.

We deserve legislators with enough guts to think first of the good of the state, nation and the world. We think ill of politicians but continue to elect our own representatives because of some "clout" factor. We can't require "Washington" to do something positive if we condone what they are now doing. We must convince our legislators that our pork-barrel project is less important than the national interest on issues like health care, day care and criminal prevention.

We may have to un-elect a couple of entire Congresses to achieve that goal, so start here and now. I'd rather have 535 people in Congress who can't find their offices than the current crop whose doors are token-taking turnstiles for the greedy.

Norman A. Peterson, Clearwater

The March 18 Molly Ivins column was most welcome. It presented a refreshing change from most all the other commentary which has been appearing in papers on both sides of Tampa Bay these last weeks and months concerning "Whitewater" - the other exception, coincidentally, being Mary McGrory's column, also in the March 18 Times. Please do your readers a favor and let us read more of Molly Ivins in the future. She has a way of getting directly to the heart of the matter and, in cutting and acidic style, setting her views before the reader.

L. C. Leach, Tampa

Molly Ivins wrote a column on March 18 for all to consider. It was as

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refreshing as a breath of sweet air.

The Republicans' smoke and mirrors cannot completely obscure the real truths. Whitewater is to the S&L scandal what a drop of mascara is to Tammy Faye Bakker.

Let's get serious. President Clinton is attempting to accomplish some much-needed reform. It appears that the members of the "Washington establishment" can't handle this. If they didn't think of it first, it's suspect. Now, and only now, they are coming up with plans of their own. Where were they in years past?

Right on, Mr. Clinton. There are many in your corner. Show them what a guy from Arkansas can do.

Lilyan V. Dayton, New Port Richey

Re: Molly Ivins' March 18 column.

Molly Ivins is apparently setting for us a new standard by which wrongdoing can be measured. She writes: " Madison Guaranty's $ 50-million belly-flopis 0.05 percent of the cost of the Silverado belly-flop in which George Bush's son was involved and 0.0001 percent of the total cost of the S&L debacle." Since the $ 50-million is only 0.001 percent of the total, let's forget it. Using her new standard, would she also say that we shouldn't be concerned about the sexual misconduct charges against Sen. Bob Packwood since he is being charged by only 0.00002 percent of all the females in this country? Similarly, shouldn't we be concerned if a murderer kills only one person, although that person represents only .0000003 percent of the total U.S. population? Using her new standard, one could kill almost 300 people before reaching her 0.0001 percent insignificant level.

This column by Molly Ivins is the continuation of the message heard during the 1992 presidential campaign that character doesn't matter. I strongly disagree with that message, and I believe that the vast majority of the American people disagree also.

M. A. Elliott, St. Petersburg

Now is the time to give President Clinton and Hillary Clinton our full support. Desirable changes in health care could slip right through our fingers while Bob Dole and Al D'Amato keep our minds on a sideshow called "Whitewater."

Eleanor McGee, St. Petersburg

The spreading of rumors by the media and the Republican Party has deprived Americans of congressional action on health care, crime and jobs. We can be sure that the Republican Party and the media will keep us informed, as more rumors become available.

Rocco Galletta, Palm Harbor

I firmly believe that the vast majority of the American public has no interest in having a congressional hearing into Whitewater. Please tell me the

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point in having another Iran-Contra soap opera where millions were spent to prove what everyone already knew. What was accomplished? Did we show that the system works? How, then, were the guilty punished? It's all a ridiculous sideshow.

Guilty of wrong-doing or not, the Clintons and Congress need to get on with the issues of government. Shakespeare said it best: "What's done is done, and cannot be undone." We want action on health care; we want wasteful spending of our tax dollars stopped.

Maggie McCarty, Homosassa

I can't understand why a number of people seem to be determined to topple President Clinton. Even though there may have been irregularities in the Whitewater affair, the man should be allowed to do the job he was elected for without continuous efforts to dig up more dirt from his past.

There are many world and domestic problems crying out for action, all far more urgent and important than any Whitewater. Let's stop the inquisition.

W.H. Morell, Largo

Most of our outstanding presidents would never have been able to serve if the press had scrutinized them as they do today. Andrew Jackson, Abraham Lincoln, Theodore and Franklin Roosevelt, and Harry S. Truman would never have been nominated. John F. Kennedy, the darling of the press, could never have gotten through the first primary. It seems as if the rules have drastically changed.

It could hardly be true that human nature is more depraved today than it was then. It must mean that the press is hungrier for stories and ratings and they are going to get them even if they have to destroy a few reputations in the process. Given the worst-case scenario, it is hard to imagine what terrible crime the president and Hillary Clinton can be guilty of in the so-called Whitewater case.

Now comes Congress, especially the opposition party, which is eager to have public hearings so that it can bask in the glare of television. We poor, duped members of the public are told by the press and Congress in a patronizing way that "the public has a right to know." Hopefully, some of us will see that the concern for the public is a side issue to the press and to Congress feathering their own nests. Is it any wonder that we are all becoming cynics?

Let the special prosecutor do his work and let the facts be known. When they are, in all likelihood, it will be "much ado about nothing." But the public treasury will be several million dollars more in debt, and other important issues such as health care and crime prevention will be put on the back burner.

Clifton Ford, Port Richey

How can the president make important decisions for the country while being bombarded by "bashing" from all sides? Such treatment is weakening the image of our country in the eyes of the world.

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It would be much better for Clinton, the presidency and the country if people would only have a little faith and back the man they have elected. His job is hard enough without such treatment.

Sybilla Davis, Spring Hill

Much has been written and will be written about Whitewater - some good and some bad, but always very interesting.

What most don't seem to realize is with the crux of the investigation that is about to begin, we are no longer faced with another season of the summer doldrums on television, but will now be presented with high expectations for a summer season of television that might reach the equivalent of the recent wonderful Winter Olympics.

The prospect of seeing Bill Clinton trying to defend the honor of his lady, Saint Hillary, almost tempts one to think of canceling a summer vacation.

With the coming entrances of some of the main characters - McDougal, Nussbaum and D'Amato - it appears Shakespeare is right again. The stage is set, the play is about to begin, and it's not who will win or lose, but will it be first-class entertainment? The critics are already there, so, as the curtain rises, let the show begin!

Richard Nilssen, St. Petersburg

Criminal, just criminal - the savaging of this country that's going on! Yes, it's the citizens of this country who are the losers as the Republicans tear the guts out of any plans for America's return to power and harmony.

Remember - it was the Republicans who rode roughshod for years over working Americans and left the country devastated by such crises as the S&Ls, BCCI and the neglect of issues of crime, homelessness and illness.

It was obvious from the start that those who lost the last election just can't get over it, just as they can't accept that Hillary Clinton is a woman who is incredibly intelligent and capable. They can't forgive that!

Americans, can we really stand by while all our dreams are ravaged? Please, won't somebody come forward to help us stop this gory and unconscionable bloodshedding?

There's got to be a way to make the Republicans show cause why they should be allowed to brake what little forward momentum this people and their economy is finally making.

Hilda Knowles, North Redington Beach

A recent letter to the editor asked: "When will the vicious unwarranted attacks on our president cease?" The letter then decried "the 12-year Reagan/Bush disaster" and then, in almost the same breath, implied that fair-thinking Americans should not harass Clinton for Whitewater because it was something that happened 10 years ago.

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If, as the letter suggested, a fair-thinking American should stop harassing Bill Clinton for something that happened 10 years ago, then, by following that same line of reasoning, it seems reasonable to suggest that a fair-thinking American should likewise stop harassing Ronald Reagan and George Bush.

A. E. Roberts, St. Petersburg

Share your opinions

We invite readers to write to us. Letters for publication should be addressed to Letters to the Editor, P.O. Box 1121, St. Petersburg, FL 33731, (FAX number, 893-8675), (E-mail, CompuServe: 73174,3344).

Letters must include the name, address and telephone number of the writer.

Letters may be edited for clarity, taste and length. We regret that not all letters can be printed.

GRAPHIC: BLACK AND WHITE CARTOON, DON ADDIS; A soldier at Wounded Knee looks at a soldier from Florida wearing a bandage labled Rosewood and remarks, "I see you have your own wounded knee."

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LEVEL 1 - 9 OF 13 ITEMS

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USA TODAY

March 24, 1994, Thursday, FINAL EDITION

SECTION: NEWS; Pg. 6A

LENGTH: 761 words

HEADLINE: Whitewater: 7 documents hold the key / President faces questions at press conference tonight

BYLINE: Dennis Cauchon

BODY

President Clinton's news conference tonight is expected to be dominated by questions about the Whitewater affair.

Clinton has answered questions about the 1970s Arkansas land deal in several appearances before the press in the last month.

But most questioning on specifics has been turned aside with his observation that Whitewater special counsel Robert Fiske is getting the cooperation of the White House and must be allowed to finish his work.

But the release of several sets of documents could provide answers to many of the Whitewater questions that have kept the issue alive.

The Clintons arranged to have their Whitewater documents subpoenaed when they were turned over to the special counsel. This makes it a crime for prosecutors to leak them. But nothing prohibits the Clintons from releasing the documents.

Here are seven sets of documents that seem to hold the keys to the Whitewater affair:

The Clintons' 1978 and 1979 tax returns

President Clinton and Hillary Rodham Clinton have made public their tax returns from 1980 on. But for reasons that are not clear, they have refused to release the two years that have caused them the most trouble. Clinton was Arkansas attorney general in 1978 and governor in 1979.

The Clintons and James and Susan McDougal bought the 230-acre Whitewater property in 1978 and formed Whitewater Development Corp. in 1979. Tax returns would indicate how the Clinton's treated the investment in the years in most dispute.

James McDougal says the Clintons invested only $ 13,000 while he invested $ 160,000. The Clintons say they lost $ 69,000.

The tax returns would also answer questions raised in a New York Times article about a $ 100,000 commodities profit Hillary Rodham Clinton made during

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1978 and 1979.

The Whitewater files

The White House says it has the checks, receipts, and other paperwork to show the Clintons used their own money for the investment, yet they have declined to release documents to prove it.

Critics suggest James McDougal gave the Clintons a sweetheart deal on the land. They also suspect the failed Madison Guaranty Savings & Loan, owned by McDougal, funneled money to prop up the money-losing Whitewater venture.

The McDougals gave the Clintons the Whitewater records in 1991. The Clintons were supposed to return them but never did, the McDougals say.

1985 campaign records

Clinton's campaign financial records are nearly complete, except for a supplemental financial report from 1985. The law does not require records be kept more than five years, so there is no legal requirement that the documents be kept.

However, the county clerk in Little Rock has copies of all of Clinton's campaign financial records except the 1985 supplemental report. The report would detail a controversial fund-raiser held at Madison S&L in April 1985 to pay off a Clinton campaign debt. Federal regulators suspect Madison funds may have improperly been funneled to the Clinton campaign.

Madison Savings & Loan files

The Resolution Trust Corp., in part hindered by privacy laws, has refused to reveal who Madison made loans to and who did not repay them. Madison is at the center of the Whitewater controversy because it cost taxpayers more than $ 47 million when it failed. The S&L made many bad loans to various Whitewater figures and has been under RTC investigation since it failed in 1989. White House notes on Madison

White House officials and Treasury Department officials discussed Madison in a series of meetings last fall and this spring under investigation by the independent counsel. The White House says the meetings may have been unwise but were not improper. The notes, already turned over to the independent counsel, could help answer that question.

Files on Vince Foster's death

The Justice Department has refused to release the police report, autopsy results and other documents on the death of Vince Foster. The result: wild speculation Foster's death on July 20 was not a suicide. Whitewater files were removed from Foster's office after his death and turned over to the special prosecutor.

Hillary Rodham Clinton's legal billings

Hillary Clinton has been criticized for representing clients such as Madison and the federal government in a suit against Dan Lasater, a family friend.

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McDougal says Bill Clinton asked him to put Hillary Clinton on the S&L's payroll. Clinton denies this and says most of the $ 2,000-a-month retainer went to the Rose Law Firm, not Hillary Clinton, and some was returned because the firm didn't do sufficient work.

GRAPHIC: PHOTO, b/w, Tim Dillon, USA TODAY

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LEVEL 1 - 10 OF 13 ITEMS

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March 24, 1994, Thursday, Final Edition

SECTION: EDITORIAL; PAGE A29

LENGTH: 815 words

HEADLINE: Small-State State of Mind

SERIES: Occasional

BYLINE: Richard Cohen

BODY

Now that the Senate has voted to hold hearings on the Whitewater affair, comparisons between it and Watergate are bound to increase. Do not be fooled. If historical analogies are needed, the more appropriate scandal is one that Watergate all but obscured: the resignation of Richard Nixon's venal vice president, Spiro T. Agnew. He was another small-state governor who came to Washington and found, Thomas Wolfe notwithstanding, that you can go home again. He almost made the journey in handcuffs.

Do not get me wrong. I am not comparing Bill Clinton to Spiro Agnew. The former vice president was a crook. As governor of Maryland and, before that, as Baltimore County executive, he took bribes for almost every conceivable service the state could provide. These payments continued even as Agnew moved his office from Annapolis to Washington. In the end, he was forced to resign and, in a political deal, pleaded no contest to a single charge of tax evasion. Another man, an ordinary guy, probably would have gone to jail.

Clinton has been accused of no crime, least of all bribery. In fact, Whitewater's most salient feature is the absence of a known crime. No federal official has been arrested, indicted or -- as far as we know -- told that he or she is under criminal investigation. Special prosecutor Robert B. Fiske Jr. seems not so much to be investigating a crime as investigating whether one has occurred. Little wonder the Clintons are steamed.

But, as with Agnew, the focus in Whitewater is mostly on what happened before the principals got to Washington. Here is where some comparisons are apt. Agnew's salary as governor was only $ 25,000 a year. Clinton, as governor, made $ 35,000, even less, $ 26,500, as attorney general. For a while, Hillary Clinton did not do much better. Along with her husband, she taught law at the University of Arkansas. They each earned $ 18,090 for that. Even when she joined the Rose law firm, her pay was modest -- $ 46,000 a year in 1980, the year she became a partner.

What we have is a typical small-state syndrome -- poorly paid public officials often forced to live beyond their means while associating with people who earn more in a week than they do in a year. The tendency is to turn to these rich people, who are often all too happy to help. The Clintons, it seemed, did

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just that. One was James McDougal, head of the Madison Guaranty Savings and Loan, who apparently used his institution as a petty cash drawer. The Clintons became his partner in a firm created to sell vacation sites on the Whitewater River. Madison, meanwhile, went bust, costing the taxpayers $ 60 million.

James B. Blair is yet another friend of the Clintons. The New York Times says that this general counsel for Tyson Foods, the nation's biggest poultry company and Arkansas' single largest employer, recommended that Hillary Clinton establish two commodities trading accounts. With his advice, she made about $ 100,000 in profits in a single 12-month period -- 1978-79. There is nothing illegal in commodities trading, although it is risky, but Blair was not a disinterested party. Tyson is heavily regulated by the state and has relied on it for all sorts of help. But the Times comes up with no evidence of a quid pro quo -- help from Blair in exchange for help from Arkansas.

Scandal buffs should beware the Cuomo Syndrome. Because the New York governor is Italian American and because his political decisions often seem inexplicable, both his political enemies and certain journalists have suggested some sort of connection with organized crime. That's a calumny. In the same way, it would hardly be fair to suggest that all small-state governors, typically underpaid, are inevitably corrupted. Nevertheless, states like Arkansas or Maryland have their peculiar characteristics. They're both mostly one-party states (Democratic) where a semi-permanent political establishment prevails no matter who's in office. These are the guys who own what the state regulates.

A closeness, a chumminess, between a small-state governor and well-heeled businessmen is nearly impossible to avoid. They supply the private planes for trips that are not state business. They often pick up restaurant checks. They put together campaign finance committees, and they can, as both Blair and McDougal did, open the door to potential wealth. Occasionally, this relationship is corrupting -- but often it's not. Almost always, though, it's suggestive (as in the Cuomo Syndrome, and be alert to the difference between appearances and reality).

In the case of the Clintons, there is no clear or even unclear evidence that they did anything wrong. If they did, the roots will be found deep within the political culture of Arkansas, and the scandal will not resemble Watergate but what you might call Agnew-gate instead. Let's hope this affair has a different ending.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 24, 1994

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LEVEL 1 - 11 OF 13 ITEMS

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The Washington Times

March 24, 1994, Thursday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1183 words

HEADLINE: SBA cash trail leads to second Whitewater deal

BYLINE: Jerry Seper; THE WASHINGTON TIMES

BODY

Federal investigators have targeted a failed 810-acre real estate project near Little Rock - purchased in 1986 by the Whitewater Development Corp. - as the direct beneficiary of a portion of a $300,000 government-backed loan linked to President Clinton.

The project, known as Lorance Heights, was purchased in March 1986, the month Mr. Clinton and Whitewater business partner James B. McDougal purportedly pressured David L. Hale to approve the Small Business Administration-guaranteed loan to "clean up" their financial problems.

It had not been disclosed that Whitewater - owned by Mr. Clinton, Mr. McDougal and their wives - was directly involved in buying and developing properties other than the 230-acre Whitewater site along the White River in northern Arkansas.

Investigators also are trying to determine if Lorance Heights, in woodlands 15 miles southeast of Little Rock, was used as a Whitewater conduit for the illegal diversion of funds to Arkansas politicians, federal law enforcement sources said.

They said as much as $250,000 in profits from the cutting of timber at the site - in violation of deed restrictions - may be missing. It is not clear where the money went, and records showing how it was used or where it was deposited have not been located.

Project records were subpoenaed this month by Whitewater-Madison special counsel Robert B. Fiske Jr., who is investigating whether money was illegally diverted through Mr. McDougal's Madison Guaranty Savings and Loan Association to Whitewater and to Arkansas politicians, including Mr. Clinton.

Lorance Heights, touted as a residential area for elderly and low-income people, defaulted on its mortgage for $510,000.

Madison, closed by federal regulators in 1989 at a cost of $50 million, is at the center of Mr. Fiske's probe.

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In reports to the Justice Department recommending criminal investigation, the Resolution Trust Corp., which disposes of failed S&Ls, said it suspects that Mr. McDougal diverted depositor money from Madison to Mr. Clinton's 1984 gubernatorial campaign using overdrawn accounts and Madison-approved loans.

The RTC also recommended an investigation of reports that Madison money had been illegally diverted to the Whitewater project.

Arkansas land records show that Mr. McDougal began negotiations to buy Lorance Heights in February 1986. Mr. McDougal signed a contract March 4, 1986, in his capacity as a partner in Whitewater. The northern Arkansas real estate venture also failed.

The Lorance Heights land, owned by International Paper Realty Corp., was sold to Whitewater for $550,950 in a deal that closed Oct. 10, 1986.

Carl Gagliardi, a spokesman for International Paper, confirmed yesterday that the company had received subpoenas from Mr. Fiske's office on the Lorance Heights deal. "We are in the process of complying with the subpoena," he said. "The documents are being assembled and will be turned over shortly."

International Paper, one of the largest landowners in Arkansas, was one of Mr. Fiske's clients in his private law practice in New York City.

Mr. McDougal, the land records show, handed over $80,190 at closing. The money, drawn from a McDougal account at Madison, included a $25,000 check dated April 4, 1986, and a cashier's check for $55,190 dated Oct. 10, 1986. The balance was represented by a $30,000 promissory note due Dec. 15, 1986, and a $440,760 promissory note payable over six years.

The General Accounting Office, in a 29-page report delivered Monday to Rep. John J. LaFalce, New York Democrat and chairman of the Small Business Committee, said title on Lorance Heights was transferred in December 1986 from Whitewater to Great Southern Land Co., which was "wholly owned by James and Susan McDougal."

The GAO said Lorance Heights was divided, and sales contracts for lots were signed by both McDougals for Whitewater and Great Southern. The GAO report said Mr. McDougal told International Paper during negotiations for the Lorance Heights property that he was the sole owner of Whitewater.

The Lorance Heights project was foreclosed in 1989 after Whitewater failed to make the mortgage payments. International Paper, which later reclaimed the property, sued and won a $510,000 judgment against Whitewater, which never paid.

Most of the approximately 50 people who purchased 10-acre parcels at Lorance Heights were elderly or poor and took advantage of $175-a-month mortgages offered by Whitewater. Few of the promised amenities, including roads and sewers, were delivered.

The Clintons have denied any wrongdoing in the Whitewater-Madison affair. White House officials have said the president has "no recollection" of any meetings with Hale about an SBA loan.

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Mr. McDougal was not available yesterday for comment. His attorney, Sam Heuer, who has said the transfer of Mrs. McDougal's SBA-backed loan from an acoount at Madison to a Whitewater account was a "mistake," did not return telephone calls to his Little Rock office yesterday.

The loan to Susan McDougal, who later divorced Mr. McDougal, was approved in late March 1986, deposited a month later in a Madison checking account and transferred to a separate Whitewater account, where as much as a third of it is believed to have been diverted to the Lorance Heights purchase.

Mrs. McDougal, facing unrelated embezzlement charges in Los Angeles, has said she does not recall receiving the $300,000 loan.

Hale, a former Little Rock municipal judge and president of an SBA-backed lending company known as Capital-Management Services Inc., has said Mr. Clinton and Mr. McDougal pressured him during meetings in Little Rock in February and March 1986 for the SBA-backed loan. He said they told him they had financial difficulties and needed cash.

Hale, a former prosecutor and longtime Democratic Party activist, has told authorities that during the two meetings the three decided to name Mrs. McDougal as the loan applicant because she could qualify as a woman.

He said they knew she did not legally qualify for the SBA loan, which was for disadvantaged applicants. Three months earlier, the McDougals filed a financial statement showing a net worth of $2.2 million.

"I knew what was going on, as we all did," Mr. Hale said. "But we were friends, and that's just the way business is done in Arkansas." He said Mr. Clinton told him the Clinton name could not be tied to the deal "anywhere at all."

The loan was never repaid.

Hale, who was appointed to the bench by Gov. Clinton but resigned after the federal charges arose in September, pleaded guilty this week to two counts of SBA loan fraud unrelated to Whitewater-Madison and has signed a plea agreement to testify for Mr. Fiske and cooperate in his investigation.

In court papers, Mr. Fiske has described Hale's pending grand jury testimony as "a fundamental part" of the probe.

GRAPHIC: Map, Lorence Heights, By The Washington Times

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 24, 1994

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LEVEL 1 - 12 OF 13 ITEMS

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The Washington Times

March 24, 1994, Thursday, Final Edition

SECTION: Part A; NATION; INSIDE POLITICS; Pg. A6

LENGTH: 1516 words

BYLINE: Alan McConagha; THE WASHINGTON TIMES

BODY

MCDOUGAL DECLARES

James McDougal, the Clintons' old partner in the Whitewater land deal, would like to be in Washington too. He said he is running for Congress.

Mr. McDougal, 53, former operator of Madison Guaranty Savings and Loan, said he will seek the seat held by Rep. Jay Dickey, a Republican from Pine Bluff.

How will he finance his campaign? "The Lord will provide," replied Mr. McDougal, who has said he is living on a Social Security check of less than $800 a month. "If your cause is just, things always work out."

Mr. McDougal was defeated in a race for Congress in 1982. He has been involved in politics since at least 1958, when he directed the campaign of a friend who ran for state representative, reported Associated Press.

DASCHLE: MY TIME

Sen. Tom Daschle, South Dakota Democrat and a protege of Majority Leader George Mitchell, notified Democratic colleagues that he will run for Senate Democratic leader.

Saying "I feel that this is the right time for me" and "I'm ready to take on that challenge," Mr. Daschle called potential challengers and had letters delivered to other colleagues announcing his candidacy.

Mr. Daschle is the first to enter the leadership race. Several other senators may seek the post, including John B. Breaux of Louisiana, Jim Sasser of Tennessee and Wendell H. Ford of Kentucky.

The South Dakota Democrat has acknowledged he began telephoning fellow Democrats when Mr. Mitchell informed him of his decision to retire earlier this month. Mr. Mitchell's successor will be elected in January.

STERN IS OFFICIAL

Radio shock jock Howard Stern announced his candidacy for governor of New

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York, promising to resign quickly if elected so "I can get on with my career."

Mr. Stern told a news conference that, if elected, he would do only three things: Restore the death penalty, add more token takers on toll roads and have highway construction crews work at night "so I can get to work easier."

Mr. Stern, whose morning program is No. 1 in a dozen cities and whose locker-room humor has led to millions of dollars in fines by the Federal Communications Commission, said his slogan would be "A volt for every vote."

Mr. Stern said he would seek the nomination of the Libertarian Party, which has 600 members, and urged fans to become members of the party for $15 each so they could go to its April convention in Albany and vote for him.

Libertarian Vice Chairman Joseph Brennan said Libertarians were delighted with the interest Mr. Stern had shown in the party, although Mr. Stern said that if the Republicans wanted him, he would drop the Libertarians in a flash.

The Libertarians received about 25,000 votes in the last election. Some political experts thought a Stern candidacy could double that number and even act as a spoiler in a race between the two major parties.

Mr. Stern added that if he won he would only need a short time to put his program into effect and then would resign so that his lieutenant governor could take over the state and he could continue with his show-business career.

"I know I am not qualified to run a government," he said.

FUTURES

Sen. Malcolm Wallop, Wyoming Republican, said he is retiring from the Senate for private life and will not run for governor. "The time has come for my political Energizer bunny to turn the page," he said.

WHITEWATER RICHES

Democratic Party leader David Wilhelm said the Whitewater affair has helped - not hurt - fund raising for the party.

Talking to reporters after addressing the 1996 Democratic convention site-selection committee, Mr. Wilhelm said that fund raising is up since grand jury subpoenas were issued to White House and Treasury staffers.

Mr. Wilhelm said there has been a rally-around-the-presidency syndrome during the probe into whether President and Mrs. Clinton benefited improperly in the Whitewater land-development venture while they lived in Arkansas.

In the past week alone, Mr. Wilhelm estimated the party raised nearly $6 million in contributions at fund-raisers in Boston, Miami and New York.

NO PERK

No more complimentary tickets to Vikings football games for Minnesota lawmakers. No more free ski trips. No more hors d'oeuvres at lobbyist buffets.

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Not even a free cup of coffee.

Republican Gov. Arne Carlson signed into law a ban on just about every lobbyist-offered perk that Minnesota's 201 lawmakers and many other officials enjoy.

"It takes a big whack at special-interest money in the process and makes it far more likely [issues] will be debated on the merits than on the amount of money involved," said Democratic Sen. John Marty, the bill's sponsor.

When the law takes effect Aug. 1, Minnesota will have some of the toughest restrictions in the nation on lobbying. The measure was approved overwhelmingly by the Legislature last week.

D'AMATO UNFAIR?

In a poll of Sen. Alfonse M. D'Amato's home-state voters by the John Zogby Group, 44 percent of the respondents said the New York Republican has been "unfairly trying to exploit the Whitewater issue for partisan Republican advantage" in calling for a probe on Capitol Hill. Thirty-four percent disagreed.

BILL AND STAN

The White House polls without precedent, the Wall Street Journal reports.

President Clinton spent nearly $2 million (paid by the Democratic National Committee) on polling last year to provide data far beyond the experience of any previous presidency, reported the Wall Street Journal.

The Journal's James M. Perry said that what presidential pollster Stanley Greenberg discovers from focus groups and public opinion surveys helps Mr. Clinton determine "what he needs to be saying and how he should be saying it."

What's more, the pollster is good. "Stan Greenberg scares the hell out of me," Frank Luntz, Republican and former Ross Perot pollster, told Mr. Perry. "He just doesn't have a finger on the people's pulse; he's got an IV injected into it. He's the best."

The collaboration between Mr. Greenberg and Mr. Clinton is obvious to specialists. "You can hear it in the rhetoric," Mr. Luntz said. "The words he uses come right out of Stan Greenberg's focus groups.

"Greenberg literally pulls the words out of the mouths of ordinary Americans and puts them in the mouth of the president. The result is, Bill Clinton speaks like real Americans speak. I wish we had a Stan Greenberg."

KERRY AT 50

Sen. John Kerry is "more balanced, more accomplished and measured - yet a man whose pace and passion seem even more urgent than when he entered the Senate 10 years ago," the Boston Globe reported.

In a profile that outlines Mr. Kerry's evolution from an outsider bucking the system to moving government from within, the Globe's Bob Hohler said the

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Massachusetts Democrat has "reshaped his priorities."

He is tougher on on crime and other aspects of his liberal philosophy seem to be shifting as well. His stance on welfare has moderated and he is conspicuously absent among the supporters of the Clinton health care bill.

While critics assert he is aloof, occasionally arrogant and motivated by personal ambition, others see a new man, "an emerging leader who is quietly gaining the stature that has long eluded him in the Senate."

NEW HEALTH MESSAGE

After a long search for a way to win broad support for his health care proposal, President Clinton has adopted an approach that relies on tales of real people and consumer-friendly terms such as "guaranteed private insurance."

USA Today quoted Harold Ickes, deputy White House chief of staff, as saying the White House is trying to put a "face" on the reform and drive home the message in "a very human way."

As a result, complicated references like "health alliances" and "employer mandates" have disappeared in favor of such language as "choice of doctor" and "health benefits guaranteed at work," said writer Judi Hasson.

She described the approach as it emerged last week "as simple and personal, invoking stories of distraught families and strapped retirees who just could be you."

ANTI-GAY

Voters in three Oregon towns and one county adopted anti-homosexual-rights ordinances, despite a state law rendering them toothless.

Mail-in elections Tuesday in Marion County and its towns of Turner, Albany and Junction City brought to 20 the number of local governments in Oregon that have passed such ordinances.

The measures bar homosexuals from being guaranteed the same anti-discrimination protections as racial minorities and prohibit spending public money on programs seen as "promoting" homosexual behavior.

A challenge to the state law barring local governments from enforcing them is pending before the Oregon Court of Appeals. Marion County, population 228,000, includes Salem, the state capital.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 24, 1994

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LEVEL 1 - 13 OF 13 ITEMS

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The Washington Times

March 24, 1994, Thursday, Final Edition

SECTION: Part A; NATION; Pg. A11

LENGTH: 645 words

HEADLINE: Whitewater questions cause second hearing cancellation

BYLINE: J. Jennings Moss; THE WASHINGTON TIMES

BODY

A senior House Democrat late yesterday abruptly canceled a regular appropriations hearing scheduled for today because Republicans on the panel intended to ask questions related to the Whitewater-Madison affair.

The cancellation of the House Appropriations subcommittee on Veterans Affairs, Housing and Urban Development and independent agencies was the second this week. It came a day after the House voted overwhelmingly to explore holding overall hearings on Whitewater-Madison.

Rep. Louis Stokes, Ohio Democrat and chairman of the subcommittee, met with the committee's ranking Republican, Rep. Jerry Lewis of California, on the House floor in the afternoon and told Mr. Lewis the hearing would not take place.

"He said, 'I just don't want our committee to be involved in the politics that's going on around this place,' " Mr. Lewis quoted Mr. Stokes as saying.

Mr. Lewis noted that President Clinton is scheduled to hold a news conference tonight and said he thought the White House event and the hearing cancellation may be connected.

"It almost sounds as if their war room's working overtime down there. I just don't know what someone has to hide. If they're working so hard to control the agenda in the House, interrupting legitimate business by subcommittees, you have to wonder how far they'll go," Mr. Lewis said.

Mr. Stokes was unavailable for comment last night, and his spokeswoman did not return a telephone call.

The subcommittee was scheduled to hear from Andrew C. Hove, acting chairman of the Federal Deposit Insurance Corp. and FDIC Inspector General James A. Renick. Also set to testify was John J. Adair, inspector general for the Resolution Trust Corp., which oversees S&L bailouts, including that of Arkansas' Madison Guaranty Savings and Loan Association.

Mr. Lewis said he had several questions for the officials that focused on

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Madison, which failed in 1989 at a cost to taxpayers of $50 million.

Madison's president, James B. McDougal, was a business partner with President Clinton and Hillary Rodham Clinton in the Whitewater Development Corp., a real estate venture in the Arkansas Ozarks. Mrs. Clinton, then with Little Rock's Rose Law Firm, represented Madison during part of its legal troubles with state regulators while her husband was governor.

Whitewater-Madison special counsel Robert B. Fiske Jr. is conducting a criminal investigation into the ties between Whitewater and Madison.

Mr. Lewis said that when RTC and FDIC officials testified before the subcommittee last year, they talked about contracts the federal government has with law firms around the country to recover money from failed savings and loans.

Rose was one of those law firms. Federal officials said they paid Rose $353,091 for its services and received a net return of $671,909 to the Treasury, Mr. Lewis said.

This year, Mr. Lewis said he wanted to question the officials about how they check a law firm for possible conflicts of interest and ask if they checked Rose.

"It has to be clear to anybody that a person like myself, who has really been lowballing this thing [Whitewater-Madison], does have the right in his responsibilities that involve legitimate oversight to ask questions in a forum that's appropriate," Mr. Lewis said.

Another hearing that was scheduled for today was a general RTC oversight hearing before the House Banking Committee. But committee Chairman Henry B. Gonzalez, Texas Democrat, canceled it on Monday.

On Tuesday, the House voted to allow the bipartisan leadership to meet and develop a schedule for general hearings into Whitewater-Madison. The Senate last week passed the same resolution, and congressional officials said hearings could begin in a month or two.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 24, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 24, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are nineteen (19) news articles from Nexis, relating to Madison Guaranty, dated March 23, 1994.

LEVEL 1 - 1 OF 19 ITEMS

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

March 23, 1994, Wednesday, AM cycle

SECTION: Political News

LENGTH: 351 words

HEADLINE: McDougal Says He'll Run for Congress

BYLINE: By M.E. FREEMAN, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

James McDougal, a former savings and loan operator whose name has been at the center of the Whitewater affair, said Tuesday that he will run for Congress.

McDougal said he would file Monday as a Democratic candidate for the 4th District seat now held by Republican Rep. Jay Dickey.

"I'm tired of these Republicans beating up on the people of the state of Arkansas, and I can't do anything about people like Senator Dole. I can beat this Republican we have down here in southern Arkansas," McDougal said in a telephone interview Tuesday night.

Asked how he planned to pay for the campaign, he said: "The Lord will provide. If your cause is just, things always work out."

McDougal said in January that he was living on a monthly Social Security check of less than $ 800.

He announced Tuesday that he was selling rights to dig dirt from a lot in the Whitewater development in Marion County. But McDougal said proceeds from that tongue-in-cheek enterprise would go for "the presidential defense fund."

McDougal is the third Democrat to announce a candidacy for the Democratic nomination to oppose Dickey. Others in the Democratic race are state Sen. Jay Bradford and state Rep. John Parkerson.

In 1982, McDougal unsuccessfully sought the 3rd District seat in northwestern Arkansas that was held then by Republican Rep. John Paul Hammerschmidt.

McDougal helped Bill Clinton in his first run for statewide office in 1976, when Clinton was elected attorney general. He served about a year in Clinton's first term as governor, 1979-80, as an economic adviser on Clinton's staff.

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In 1978, McDougal and his then-wife Susan formed Whitewater Development Corp. with the Clintons. In 1982, McDougal bought a failing Arkansas savings and loan association and changed its name to Madison Guaranty Savings and Loan. Regulators ousted him in 1986 and the S&L failed in 1989.

Special counsel Robert Fiske is trying to determine if funds from Madison were illegally diverted to benefit other businesses, such as Whitewater.

Madison's failure cost taxpayers $ 47 million to $ 60 million, regulators say.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 2 OF 19 ITEMS

The Associated Press

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March 23, 1994, Wednesday, AM cycle

SECTION: Domestic News

LENGTH: 365 words

HEADLINE: Grand Jury Formed for Probe of Clintons' Land Dealings

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

A grand jury was selected Wednesday that will hear evidence in the investigation of President and Mrs. Clinton's land dealings.

The grand jury will assist special counsel Robert Fiske as he looks into the Whitewater Development Corp. land deals, but not immediately.

Mary Buford, the grand jury coordinator, said the jury would not work this week. Fiske will set up a schedule with the 23 grand jurors, but it was unknown if it would be made public.

Fiske already has at least one witness ready to testify - former municipal judge David L. Hale, who pleaded guilty to a pair of felony fraud charges Tuesday as part of an agreement to cooperate with federal authorities.

It is unclear when Hale will testify.

The former judge, who has alleged that then-Gov. Bill Clinton urged him to make an improper, government-backed loan to a business associate of Clintons, has been cooperating with authorities for more than two weeks.

Fiske's probe centers on the failure of Madison Guaranty Savings and Loan, which was owned by Clinton business partner James McDougal. Fiske is trying to learn whether depositor funds were diverted to the Whitewater Development Corp., which was owned by the Clintons, and McDougal and his then-wife, Susan. He is also trying to determine whether Madison money was improperly used to help retire Clinton's 1984 gubernatorial campaign debt.

Hale has alleged that Clinton asked him to make a loan, backed with Small Business Administration funds, to Susan McDougal. About $ 100,000 of the $ 300,00 loan ended up in Whitewater's accounts.

Fiske requested the new grand jury in February, explaining that his

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investigation could take longer than a year. Typically, federal grand juries meet twice or three times a week, although jurors are always on call during their tenure.

Fiske already has taken some testimony in the probe before a grand jury in Washington and the regular grand jury in Little Rock.

For split grand juries, it is customary for testimony to be presented in written form to the main grand jury, which in this case would be the one in Little Rock. Excerpts from the written testimony generally are read aloud to jurors by prosecutors.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 3 OF 19 ITEMS

The Associated Press

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March 23, 1994, Wednesday, PM cycle

SECTION: Political News

LENGTH: 349 words

HEADLINE: Former Clinton Whitewater Partner Says He'll Run For Congress

BYLINE: By M.E. FREEMAN, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

James McDougal, a former S&L operator who put together the Whitewater land deal, says he is running for congress.

McDougal, 53, former operator of Madison Guaranty Savings and Loan, said Tuesday he will seek the seat now held by Rep. Jay Dickey, a Republican from Pine Bluff.

"I'm tired of these Republicans beating up on the people of the state of Arkansas, and I can't do anything about people like Senator Dole (but) I can beat this Republican we have down here in southern Arkansas," McDougal said in a telephone interview Tuesday night.

How will he finance his campaign? "The Lord will provide," replied McDougal, who has said he is living on a Social Security check of less than $ 800 a month. "If your cause is just, things always work out."

McDougal also is selling rights to dig dirt from a lot in the Whitewater development in Marion County - for $ 20 a cubic foot.

McDougal ran for Congress in 1982, but was soundly defeated.

He has been involved in politics since at least 1958, when he directed the campaign of a friend who ran for state representative.

He served as a Democratic State Committee member in 1961 and went to Washington the same year, working as a research assistant for the Senate Permanent Subcommittee on Investigations, chaired by Sen. John L. McClellan, D-Ark.

He returned to Arkansas in 1964 to become involved in several businesses, including one in which he and his father exported White River mussel shells to Japan's cultured pearl industry.

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He joined the staff of Sen. J. William Fulbright, D-Ark., in 1968 and helped Bill Clinton get elected attorney general of Arkansas in 1976. During Clinton's first term as governor, in 1979-80, McDougal served about a year as an economic adviser on Clinton's staff.

In 1978, McDougal and his then-wife Susan formed Whitewater Development Corp. with the Clintons.

In 1982, McDou 0 et out to determine, among other things, whether money from Madison was illegally diverted to Whitewater and to Clinton's campaigns.

Madison's failure cost taxpayers $ 47 million to $ 60 million, regulators say.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 4 OF 19 ITEMS

The Associated Press

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March 23, 1994, Wednesday, PM cycle

SECTION: Washington Dateline

LENGTH: 947 words

HEADLINE: Whitewater Hearings Loom in Presidential Future

BYLINE: By LARRY MARGASAK, Associated Press Writer

DATELINE: WASHINGTON

BODY

President Clinton now faces the troublesome prospect of televised Whitewater hearings in both houses of Congress.

The investigation that has plagued the Clinton administration, meanwhile, won its first plea bargain, from former Arkansas municipal judge David Hale in Little Rock.

The 408-15 House vote Tuesday, coupled with a unanimous Senate decision last week in favor of hearings, amounted to a retreat by majority Democrats.

"This thing has a life of its own," House Republican Leader Bob Michel said this morning of the Whitewater affair. "Quite frankly, I think what the Senate did ... nudged the House into doing what we did yesterday," he said on Fox-TV.

Rep. Jim Leach, R-Iowa, who has pushed for hearings on Whitewater, said the debate should be "cautious" and the issues "understated." He wanted to make clear, he said on NBC, that "this is an issue of political embarrassment at this point."

"It isn't presidency jeopardizing, and it does not need to be presidency debilitating. That's a very difficult line to walk, but I think it's important to stress all of those in combination," Leach said.

House Speaker Tom Foley cautioned that hearings should not interfere with the investigation of Whitewater special counsel Robert Fiske. "If we can have hearings consistant with that, we will have them and I believe they will occur this year," he said on CBS.

House Majority Leader Richard Gephardt indicated concern Tuesday that hearings could disrupt an ambitious congressional agenda, commenting: "While we cannot and should not ignore Whitewater, neither can we allow it to flood the chamber."

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Until last week, Democrats in both houses were content to ignore the issue, preferring to let Fiske conduct his probe without any competition.

But the Republicans' daily drumbeat for hearings finally paid off with the Senate vote.

Both chambers instructed their leaders to negotiate the appropriate time and place for hearings, leaving open the possibility that talks could fall apart.

But Michel said, "If something doesn't happen in the right direction, you'll hear from us."

In the House, a bipartisan agreement for hearings provided two chances for an inquiry.

Republicans will be permitted to exercise their right, under House rules, to invite witnesses to a Banking Committee hearing to review operations of the savings and loan cleanup agency.

GOP members have already invited key witnesses with knowledge of the failed Madison Guaranty Savings and Loan. Investigators are trying to determine whether Madison sent money to Clinton's Arkansas real estate venture and paid some of his gubernatorial campaign debts.

In addition, the House resolution instructed leaders to "determine the appropriate timetable, procedures and forum for appropriate congressional oversight." No immunity would be granted to witnesses and hearings would not interfere with Fiske's criminal probe.

Clinton, in an interview published today in USA Today, said it has been "a little bit difficult" to have the right attitude about the controversy surrounding Whitewater.

"I think we can all admit that there is no previous president who has been asked to undergo this level of scrutiny about something that happened so long before he became president in the absence of any credible evidence that any violation of the law occurred," Clinton said.

However, the president said he has "a good attitude about it now."

"We're fully cooperating and trying to help get to the bottom of it, and I certainly intend to keep doing it," he said.

That investigation produced its first plea bargain Tuesday in Little Rock. Hale, who has alleged Clinton was involved in a questionable loan, pleaded guilty to two fraud charges involving the operation of his federally backed lending company.

Deputy Treasury Secretary Roger C. Altman, meanwhile, became the latest administration official to testify before a grand jury. "I have had an opportunity to provide all the facts for Mr. Fiske's investigation," Altman told reporters Tuesday as he left the grand jury room. "I'm ready to do the same in any congressional inquiry."

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Altman, who is stepping down as interim head of the savings and loan cleanup agency, wrote the Senate Banking Committee a new letter acknowledging additional contacts with White House officials.

Such discussions between regulators and White House staffers prompted Fiske to subpoena administration officials to his Washington grand jury - which also is probing the death of deputy White House counsel Vincent Foster.

The Washington Post reported today that Altman consulted White House officials in February about disqualifying himself from the Madison investigation but that the White House resisted the idea.

The Post, citing administration officials and other unidentified sources, said then-White House counsel Bernard Nussbaum expressed concern about who would oversee the Madison case if Altman stepped down. But the White House never instructed Altman to remain involved in the case, the report said.

In other Whitewater developments:

-Sen. Charles Grassley, R-Iowa, asked Attorney General Janet Reno on Tuesday for an investigation by Fiske into billings of departing Associate Attorney General Webster Hubbell's former Little Rock law firm in a case in which it represented the federal government.

-Some senior White House aides are suggesting that Clinton turn over some or all of his Whitewater documents, including tax forms from the 1970s, in conjunction with a news conference or another form of public explanation. But other advisers fear the release of any documents would merely prompt more questions from Republicans and the news media.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 5 OF 19 ITEMS

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March 23, 1994, Wednesday, 2 STAR Edition

SECTION: A; Pg. 2

LENGTH: 579 words

HEADLINE: Dems agree to study Whitewater inquiry

BYLINE: NANCY MATHIS, Houston Chronicle Washington Bureau; Staff

DATELINE: WASHINGTON

BODY

WASHINGTON -- House Democrats, seeking to stem the political tide from the Whitewater affair, agreed Tuesday to possible congressional hearings into President Clinton's ties to an unprofitable Arkansas land venture and a failed savings and loan.

The House voted 408-15 for a resolution that called for Democratic and Republican leaders to discuss possible congressional hearings at a future date. The sense of the House resolution, which is nonbinding, suggested immunity not be granted to any witnesses.

Houston Democrat Craig Washington was the only Texan to oppose the resolution.

The resolution, laden with qualifiers, was identical to one passed unanimously last week by the Senate as Democratic leaders in both houses sought to quiet Republican calls for committee hearings.

Democratic leaders emphasized their commitment was for discussions about hearings, not for actual hearings.

""I'll make very clear what I agreed to was exactly the terms of the resolution, to discuss the possibility, the possibility of hearings, not a concession that hearings are necessarily going to take place or at a particular time,'' said House Speaker Thomas Foley, D-Wash.

""In the end, we may not be able to agree, and I think that ought to be clear that we're going to make a good-faith effort to find a forum and a timing for this to go forward. ''

House Majority Leader Dick Gephardt, D-Mo., said the ""commitment is ironclad'' that members would negotiate for hearings in good faith.

Democrats did pledge that Texas Rep. Henry B.Gonzalez, D-San Antonio, chairman of the House banking committee, would reschedule,

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as soon as practical, oversight hearings into the Resolution Trust Corp. and that Republicans would be allowed to call witnesses.

Gonzalez canceled the RTC oversight hearings slated for Thursday, contending the Republicans threatened to turn it into a Whitewater forum. Gonzalez left the House chamber without commenting on the resolution or Foley's contention that RTC hearings must be held.

The resolution also maintained that hearings should be structured and timed so as not to interfere with special counsel Robert Fiske.

Fiske is investigating whether Madison Guaranty Savings and Loan, owned by James McDougal, the Clintons' partner in Whitewater Development Corp., improperly diverted funds to Whitewater or to Clinton's gubernatorial campaign. There have been no allegations of illegal activity by the president or his wife, Hillary Rodham Clinton, who also participated in the Whitewater venture.

Rep. Jim Leach, the Iowa Republican and senior GOP member on the House banking committee, called the resolution ""very positive'' and said it was ""the first bipartisan step to a bipartisan hearing. ''
House Republican Leader Robert Michel of Illinois said the resolution would allow members to ""get our heads together and agree, all agree, that we're going to have hearings and proceed in a very orderly manner, and I don't want to see any kind of circus atmosphere. ''

Neither Foley nor Michel said he favored the creation of a select committee to investigate broad aspects of the Whitewater case.

In the Senate, Republican leader Bob Dole on Tuesday sent Senate Majority Leader George Mitchell a letter suggesting the creation of a special committee made up of members from various committees with interest in Whitewater.

Mitchell declined to respond publicly to Dole's suggestion.

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LEVEL 1 - 6 OF 19 ITEMS

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March 23, 1994, Wednesday, Home Edition

SECTION: Part A; Page 1; Column 5; National Desk

LENGTH: 979 words

HEADLINE: EX-JUDGE HALE PLEADS GUILTY OVER ARKANSAS LOAN FRAUD;
INQUIRY: POLITICAL INSIDER AGREES TO COOPERATE WITH WHITEWATER SPECIAL COUNSEL.
FISKE CALLS STEP 'SIGNIFICANT.'

BYLINE: By WILLIAM C. REMPEL, TIMES STAFF WRITER

DATELINE: LITTLE ROCK, Ark.

BODY

Former Municipal Judge David Hale, an Arkansas political insider who claims that then-Gov. Bill Clinton pressed him to make improper government-subsidized loans in the mid-1980s, pleaded guilty to federal fraud charges Tuesday and agreed to cooperate with Whitewater investigators.

Special counsel Robert B. Fiske Jr., who has called Hale's allegations "fundamental" to his Whitewater inquiry, told U.S. District Judge Stephen M. Reasoner that Hale's cooperation assured that the claims "will be pursued thoroughly and vigorously."

The plea and cooperation agreement, which came the day before selection of a new grand jury panel, represents the first major development in Fiske's young investigation.

In a brief statement outside the courtroom, Fiske said Hale's cooperation "will be a significant contribution to our investigation." Rusty Hardin, Fiske's assistant, said that Hale, 56, had "extensive knowledge in the areas we are investigating."

The agreement, reached after more than two weeks of daily private meetings between Hale and prosecutors, also seemed to add a measure of credibility to Hale's so-far uncorroborated story.

Hale's accounts certainly represent the most serious allegations raised against the President. If proven, they could link Clinton to potentially criminal conduct -- at worst, allegedly using his influence to get federal funds channeled improperly into loans or investments that benefited Clinton personally.

Clinton has repeatedly denied Hale's charges and this week called them "a bunch of bull."

Hale has told much of his story in lengthy interviews with The Times and other news organizations since his indictment in September. On Tuesday, however,

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his attorney said that Hale had already provided prosecutors with "a lot more detail" than he had revealed to the press.

"There are additional transactions that have not come out involving some of the same people and others," attorney Randy Coleman said. He declined to say whether any of those transactions involved Clinton or First Lady Hillary Rodham Clinton.

Central to Hale's story, as publicly disclosed to date, is the allegation that in late 1985 and again around February, 1986, Clinton asked him to make loans to James B. McDougal, the Clintons' partner in the Whitewater resort development in the Ozarks. According to Hale, Clinton asked him to "help Jim and me."

Hale at the time operated a Small Business Administration-backed fund called Capital Management Services Inc. Its purpose was to make venture loans to socially and economically disadvantaged borrowers.

In response to Clinton's request, Hale has said, he made a series of loans totaling $700,000 to members of the Arkansas "political family." The loan applications, according to Hale, were prepared and referred to him by McDougal, then the owner of the failing Madison Guaranty Savings & Loan. None of the $700,000 was ever paid back.

The largest of the loans -- $300,000 -- was made to McDougal's then-wife, Susan, and records show that the check was cashed at Madison Guaranty. Hale concedes that the loan violated SBA rules.

Hale also says Clinton specifically objected to having his own name appear on any official documents, and so the loan was made in the name of Mrs. McDougal. According to the former judge, Clinton nonetheless offered to put up as collateral some raw land in the Ozarks, an offer that Hale declined.

McDougal denies that any such meeting or discussion ever took place. The White House has said that Clinton cannot recall asking Hale to make any loans.

McDougal does concede that $110,000 of the funds borrowed from Hale were transferred into the Whitewater account of the Clinton-McDougal partnership and used to purchase land for another land venture outside Little Rock.

In a previous interview, McDougal said he made the investment without consulting the Clintons. He said his intention was to try to bail out Whitewater by starting a successful development elsewhere. However, the new development failed and the land was repossessed.

Fiske, who is trying to determine if funds from Madison Guaranty were illegally diverted to prominent Arkansans, including the Clintons, bluntly acknowledged Tuesday that "of course we're interested" in the Susan McDougal loan and its aftermath.

In addition to Hale's allegations, the special counsel is examining the dealings of the Whitewater Development Corp., its ties to Madison Guaranty, last July's apparent suicide of Deputy White House Counsel Vincent Foster and a series of contacts between the White House and Treasury Department regarding the Madison inquiry.

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Under terms of the plea agreement disclosed Tuesday, Hale still faces the possibility of up to 10 years in prison and fines exceeding $250,000.

Sentencing was delayed for at least four months to permit Fiske to complete the Hale-related portions of his investigation. At that time, government attorneys agreed, they will recommend judicial leniency if Hale's cooperation merits it.

Defense attorney Coleman, who stood beside Hale as he entered his guilty pleas, said: "This is a painful and embarrassing day for David, as I think it is for the state of Arkansas."

Coleman has said for weeks that Hale was practicing "business as usual" in Arkansas when, by his account, he provided funds to Arkansas' political elite.

Since last fall Hale and Coleman have been calling for a special prosecutor because the local U.S. attorney was a longtime Clinton campaign supporter.

Previous efforts to negotiate a plea agreement also had failed until the Fiske team moved into Little Rock earlier this year. Coleman said that Hale trusted Fiske and his team.

"David believes that they will fully investigate . . . " he said. "Otherwise, we would not have done this today."

* WHITEWATER HEARINGS: House leaders agree to set timetable for hearings. A20

GRAPHIC: Photo, COLOR, (San Fernando Valley Edition, A1) David Hale Reuter

LANGUAGE: ENGLISH

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LEVEL 1 - 7 OF 19 ITEMS

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March 23, 1994, Wednesday, Home Edition

SECTION: Part A; Page 20; Column 5; National Desk

LENGTH: 1053 words

HEADLINE: HOUSE OKS COMPROMISE ON WHITEWATER HEARINGS;
CONGRESS: LEADERS AGREE THAT 'GOOD FAITH' EFFORT WILL BE MADE TO DISCUSS POSSIBILITY OF A PROBE. SENATE PASSED SIMILAR RESOLUTION.

BYLINE: By MICHAEL ROSS, TIMES STAFF WRITER

DATELINE: WASHINGTON

BODY

Increasingly concerned about the appearance of a cover-up, House leaders reached an agreement Tuesday to negotiate "an appropriate timetable" for public hearings on the Whitewater affair.

The agreement, identical to a compromise worked out earlier in the Senate, later was ratified by the full House in a 408-15 vote.

The timing, scope and avenue for the hearings were left undecided, however, and senior Democrats said later that the compromise struck with GOP leaders did not necessarily mean that congressional hearings would take place -- only that a "good faith" effort would be made in the coming weeks to agree on the terms.

"This is an agreement to discuss the possibility that hearings will be held . . . not a concession that hearings will be held," House Speaker Thomas S. Foley (D-Wash.) told reporters shortly before the vote.

However, with concern clearly growing among rank-and-file Democrats that opposition to hearings might be perceived as an attempt to withhold information from the public, many lawmakers said they thought that a congressional probe was inevitable now that the House has joined the Senate in calling for one.

The resolution calls for Congress to investigate "all matters related to the Madison Guaranty Savings & Loan Assn., Whitewater Development Corp. and Capital Management Services Inc.," a fund operated by David Hale, who claims he made improper loans to then-Gov. Clinton and Mrs. Clinton. The resolution was adopted only hours after Deputy Treasury Secretary Robert Altman became the eighth senior official to testify before a federal grand jury in Washington.

Whitewater special counsel Robert B. Fiske Jr. was expected to question him later on his discussions with White House aides about the Resolution Trust Corp.'s investigation of Madison Guaranty, the now-defunct Arkansas savings and loan owned by James B. McDougal, one of Clinton's partners in the Whitewater land venture. Altman, in addition to his role as deputy Treasury secretary, also was acting head of the RTC when the meetings occurred.

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The grand jury is one of two -- the other will be sitting in Little Rock -- that Fiske is using to try to unravel a web of financial arrangements linking the bankrupt thrift to the Clintons through their failed real estate investments in the Whitewater venture.

The grand jury in Little Rock will probe allegations that depositors' funds were transferred improperly from Madison to Whitewater during the 1980s and may also have been used to help retire then-Gov. Clinton's campaign debts. The jury in Washington is investigating suspicions that Administration officials may have sought to delay or derail the RTC probe.

Leaving the courthouse after his testimony, Altman said he had laid out "all the facts" in the Whitewater case before the grand jury and stood "ready to do the same in any congressional inquiry."

Earlier Tuesday, the Treasury Department released a letter in which Altman again revised upward the number of contacts he had with the White House about issues related to Madison Guaranty. The revision was the third since Altman first testified on the issue before the Senate Banking Committee on Feb. 24.

Altman said he had more talks about whether to disqualify himself from the case involving Madison than were revealed in a letter released last Friday by Alfonse M. D'Amato of New York, the senior Republican on the Senate Banking Committee.

According to the latest letter, the talks occurred at an earlier-disclosed Feb. 2 meeting with White House aides. A few days later, Altman also spoke by phone with White House Chief of Staff Thomas (Mack) McLarty about disqualifying himself.

The March 21 letter also shows Altman informed Clinton's deputy chief of staff, Harold Ickes, about his plans to step down as acting head of the RTC. That occurred on Feb. 23, the night before Altman announced the decision.

About the same time, Altman said: "I literally bumped into" former White House Counsel Bernard Nussbaum, who told the deputy Treasury secretary about the Administration's plans to nominate a permanent head of the RTC.

"I have done my best to recall every communication with White House staff on anything which could be connected to this matter," said Altman, who eventually disqualified himself from the Madison Guaranty case on Feb. 25.

In the wake of the House hearing vote, Foley said that he and House Minority Leader Robert H. Michel (R-Ill.) would meet privately in the coming weeks to try to agree on a framework and timetable for congressional hearings.

But he and other Democrats warned they would not consent to hearings if it looked like they might turn into a partisan show trial at which Republicans will air unproven allegations in order to embarrass the President or stall action on health care and other legislative matters.

"While we cannot and should not ignore Whitewater, neither can we allow it to flood the chamber," said Majority Leader Richard A. Gephardt (D-Mo.). "We have an obligation to ensure that our three-branch government does not become a

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three-ring circus."

However, it was largely to avoid a potentially embarrassing spectacle that the Democrats agreed to enter into negotiations with the Republicans over the terms for the hearings in the first place, lawmakers said privately.

"This agreement has less to do with any notion that Whitewater hearings are necessary than it has with getting the issue away from Henry," confided one Democratic source, referring to House Banking Committee Chairman Henry B. Gonzalez (D-Tex.).

Foley acted after Gonzalez abruptly canceled a committee hearing that Republicans had hoped to use to air concerns about Whitewater and sent an abusive and personally insulting letter to the panel's mild-mannered ranking Republican, Rep. Jim Leach of Iowa.

"We all know that Henry's behavior is sometimes a bit quirky," another source said. But this time his behavior was becoming something of an embarrassment for the leadership because it was "creating the misimpression that Democrats were trying to cover something up," the source added.

"Henry's tactics . . . put the (Democrats) behind the psychological Eight Ball" and appeared to be one reason why the leadership abruptly turned around and dropped its opposition to hearings, agreed Leach.

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LEVEL 1 - 8 OF 19 ITEMS

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March 23, 1994, Wednesday, Home Edition

SECTION: Part A; Page 21; Column 1; National Desk

LENGTH: 225 words

HEADLINE: MCDOUGAL SHOWS HE KNOWS HOW TO DISH THE DIRT

BYLINE: From Associated Press

DATELINE: LITTLE ROCK, Ark.

BODY

Pssst. Want the real dirt on Whitewater?

James B. McDougal, a former business partner of President and Hillary Rodham Clinton in a failed Arkansas real estate venture, is selling the right to dig up dirt from a three-acre plot of Whitewater land.

"It seems that everybody is trying to dig up their own dirt on Whitewater, so we are offering the public the opportunity to acquire their very own souvenir cubic foot of Whitewater for a minimum donation of $19.95," McDougal said in a press release Tuesday.

Donation?

"Jim's going to use part of the funds, I guess, to defend himself," said Chris Wade, president of Whitewater Marketing. Wade was the real estate agent for the Clintons and the McDougals on the Whitewater land sale.

Wade is leasing the three-acre Lot 24 in Whitewater Estates to McDougal for $1 a year for 99 years.

Anyone who buys the dirt will get a "nonpartisan dirt deed" from the Whitewater Development Corp. According to the deed, "the only right that this conveys is to come upon Lot 24 of the above described property and dig up dirt."

McDougal owned the failed Madison Guaranty Savings & Loan in Little Rock. Special counsel Robert B. Fiske Jr. is trying to determine whether funds from Madison were illegally diverted in the mid-1980s to prominent Arkansans, including the Clintons and their real estate venture.

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LEVEL 1 - 9 OF 19 ITEMS

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March 23, 1994, Wednesday, Late Edition - Final

SECTION: Section A; Page 18; Column 3; National Desk

LENGTH: 1087 words

HEADLINE: Inquiry to Cover Loan Accusation Against Clinton

BYLINE: By GWEN IFILL, Special to The New York Times

DATELINE: WASHINGTON, March 22

BODY

After securing a guilty plea from an Arkansas businessman involving the operation of his federally backed lending company, the special prosecutor investigating the Whitewater real estate venture said he would now vigorously pursue the man's accusations that Bill Clinton had pressured him to make a questionable bank loan to Mr. Clinton's partner in the deal.

"This will allow us a full investigation of everything he knows," the special prosecutor, Robert B. Fiske Jr., told Judge Stephen M. Reasoner of Federal District Court in Little Rock, Ark.

The guilty plea allows the businessman, David L. Hale, who was also a former municipal court judge in Little Rock, to avoid a trial that was scheduled to begin on Monday. Mr. Hale will then be able to present his accusations about Mr. Clinton to the Whitewater grand jury sitting there.

Mr. Hale has maintained that Mr. Clinton, while Governor in 1986, pressured him to lend money to politically connected friends, including Susan B. McDougal, a partner in the failed Whitewater venture. Mr. Clinton has steadfastly denied any wrongdoing and angrily denied Mr. Hale's accusations.

"At this point, so much depends on Mr. Hale's cooperation," Mr. Fiske said.

The grand jury in Little Rock is just one of two that Mr. Fisk is using to investigate accusations that Mr. Clinton and his wife, Hillary, may have improperly benefited from their association with James B. McDougal, owner of the failed Madison Guaranty Savings and Loan Association. Mr. McDougal, as well as his wife, Susan, was a partner with the Clintons in the Whitewater Development Company.

Mr. Hale, the former owner of Capital Savings Management, pleaded guilty to bank and mail fraud for defrauding the Small Business Administration. He also admitted falsifying information on a February 1986 application to obtain Federal funds to lend to economically disadvantaged businesses. The charges were not related to Whitewater.

An aide to Mr. Fiske said today that the prosecutor believed Mr. Hale had

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extensive knowledge about the Whitewater deal.

More Inquiries

The guilty plea in Little Rock came as the examination of Whitewater and the failure of the Madison Guaranty Savings and Loan proceeded in these two directions:

*The House of Representatives voted 408 to 15 to have leaders of both parties set an appropriate timetable for hearings on Whitewater.

*The other grand jury sitting in Washington heard from Roger C. Altman, the Deputy Secretary of the Treasury, appeared before a grand jury sitting in Washington.

Mr. Altman, who told the Senate Banking Committee on Feb. 24 that he held a procedural meeting with White House officials on Feb. 2 to discuss the actions of the Resolution Trust Corporation on Madison, said in a letter to the committee that he had also had several additional telephone calls and personal conversations about whether he should recuse himself from the case.

Letter to the Banking Panel

In the letter dated March 21, Mr. Altman said he had discussed the possibility of recusal with Thomas F. McLarty 3d, the White House chief of staff, Harold M. Ickes, the deputy chief of staff, and Bernard W. Nussbaum, the White House counsel who was forced to resign after the first meeting became public.

Mr. Altman would not discuss his grand jury testimony today but said in an interview that the discussions with the White House officials were not significant.

"I've said from the outset that I had one substantive contact and that remains my view," he said. "No one at the White House ever asked me not to recuse myself."

Mr. Altman did not formally recuse himself until Feb. 25, one day after he told the Banking Committee that he had met with the White House representatives.

Senator Alfonse M. D'Amato, Republican of New York, rejected Mr. Altman's defense today. "This is the fourth time that Altman has changed his story about contacts with the White House about the Madison-Whitewater affair," Mr. D'Amato said. "In just four weeks, the number of contacts between Altman and the White House has grown four times. How many more letters will it take before we get the whole story?"

Warning to Congress

Both Representative Richard A. Gephardt of Missouri, the Democratic leader, and Representative Robert H. Michel, the Republican leader, warned against allowing the Whitewater inquiry to overwhelm the chamber.

Mr. Altman's latest disclosures about his contacts with White House officials

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came as he prepared to testify before the grand jury.

Officials said Mr. Altman was trying to reconcile his earlier recollections with accounts provided to the grand jury and to Congress by other subpoenaed officials.

The White House spokesman John Podesta would not discuss the conversations Mr. Altman had with other officials.

"I'm not going to characterize conversations while the grand jury is going on and people are taking testimony," Mr. Podesta said. "It would be inappropriate. We're in a tough spot on that."

But the evidence of repeated contacts with White House officials who had direct, daily contact with the Clintons has again raised the same question of undue influence that brought about Mr. Nussbaum's resignation.

"I generally attend meetings in the White House three or more times a day, and am on the telephone with White House staff even more often," he said in his letter. "It is difficult to recall every brief encounter."

Mr. Altman said that on one occasion, he "literally bumped into Mr. Nussbaum in a White House corridor."

Mr. Altman has been acting head of the Resolution Trust Corporation, which is investigating the business practices of Madison Guaranty. He is scheduled to step down from that post at the end of the month.

In the House, Democratic opposition to Whitewater hearings fragmented as lawmakers in both parties stopped arguing and voted overwhelmingly to negotiate the time and agenda for a formal inquiry.

Hearing Expected in 2 Months

It appeared that some hearing would be held within about two months, probably by the House Banking Committee and well after Mr. Fiske is expected to have concluded the Washington portion of his investigation.

In a resolution that expresses the lawmakers' sentiments but lacks any legal clout, the House ordered leaders to arrange hearings on all matters involving Madison Guaranty, the Whitewater Development Company and Capital Management Services Inc.

The resolution's language was identical to a Senate resolution approved last week.

GRAPHIC: Photos: Robert B. Fiske Jr., above, the special prosecutor in the Whitewater affair, went to Federal District Court yesterday in Little Rock, Ark., where a guilty plea was entered by David L. Hale, who says Bill Clinton pressured him to lend money to friends as Governor of Arkansas; Robert C. Altman, Deputy Treasury Secretary, went to Federal Court in Washington yesterday to testify to a grand jury investigating Whitewater. Mr. Altman also informed a Senate committee of conversations he had had about the investigation into the

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affair. (Reuters)
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LEVEL 1 - 10 OF 19 ITEMS

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March 23, 1994, Wednesday, Late Edition - Final

SECTION: Section A; Page 20; Column 1; Editorial Desk

LENGTH: 371 words

HEADLINE: Democrats Overcome the Butterflies

BODY

It took an indefensibly partisan blunder by Representative Henry Gonzalez to jolt it into action, but the House has finally decided to emulate the Senate and call for hearings on the financial maze known as Whitewater.

The timing and scope of the hearings must still be decided by House leaders, and some Democrats may seek to restrict them to recent allegations of White House interference with Federal investigators. But yesterday's House resolution orders a broad inquiry covering Madison Guaranty, a failed Arkansas savings and loan, and the Whitewater Development Company, partly owned by Bill and Hillary Rodham Clinton.

The resolution followed by one day the release of a remarkably intemperate letter from Mr. Gonzalez, chairman of the House Banking Committee, to Jim Leach, the ranking minority member, summarily canceling hearings that Mr. Leach had scheduled for tomorrow.

The letter backfired. Embarrassed by its tone, and worried that the public might think they were hiding something, senior Democrats quickly urged more extensive hearings, leading to yesterday's resolution. Like the Senate's, it sensibly urges that the hearings be delayed so as not to undercut the crucial early stages of the investigation by the special counsel, Robert Fiske.

Mr. Leach cannot complain about this odd sequence of events since he has clearly profited from it -- losing a brief hearing that might well have disrupted Mr. Fiske's efforts, while gaining a fuller inquiry down the road.

But the real winner could be the public, partly because the hearings might clarify long-ago financial dealings in Arkansas and partly because Whitewater has raised questions in which the committee, and the public, should have an interest. One is whether Madison funds were improperly used to benefit either Mr. or Mrs. Clinton. The other is whether the Clinton Administration interfered with inquiries into Madison by Treasury Department agencies that the Banking Committee oversees.

Although it took them a while, House Democrats are to be commended for their willingness to proceed. The consequences of not doing so might have been far more unsettling than the political butterflies now fluttering in their stomachs.

LANGUAGE: ENGLISH

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The New York Times

March 23, 1994, Wednesday, Late Edition - Final

SECTION: Section A; Page 21; Column 3; Editorial Desk

LENGTH: 979 words

HEADLINE: Sex! Money!! Cover-Up!!! Whitewater?;
The Media Dozed, Then Went Berserk

BYLINE: By Christopher Hanson: Christopher Hanson, Washington correspondent for The Seattle Post-Intelligencer, writes the "Capital Letter" column for Columbia Journalism Review.

DATELINE: WASHINGTON

BODY

Journalists like to caricature President Clinton as a man of gargantuan appetites who heaps too much on his plate in more ways than one. But when it comes to excess, it is hard to top the press itself. Consider the orgy over Whitewater.

Since January there have been hundreds of major newspaper articles on this subject, many on the front page; eye-catching newsmagazine covers, and countless talk show face-offs. As of Friday, the nightly news on ABC, CBS and NBC had devoted 220 minutes to Whitewater this year, nearly three times as much as for health care, according to Andrew Tyndall, whose Tyndall Report monitors TV news.

Judging by the voraciousness of Whitewater reporters (an appetite whetted significantly by White House evasions and antagonism to the press) one might think the media had discovered something as meaty as Watergate -- though even Senator Alfonse D'Amato, who has been leading the political charge, acknowledges that there may be "little if anything" at Whitewater's core.

The odor wafting from Whitewater is certainly sour enough to merit press scrutiny. Should Gov. Bill Clinton have carried on the Whitewater Development partnership with James McDougal, owner of a savings and loan that Mr. Clinton's administration was regulating? Should Hillary Rodham Clinton have represented the troubled thrift before state regulators?

But by magnifying every Whitewater swirl and bubble, the news media are helping create the premature and probably unfair impression of a crooked and unraveling Administration. Consider the drumbeat after the special counsel, Robert Fiske, subpoenaed Administration aides to testify about meetings between the White House and Treasury Department officials over the Treasury investigation of Madison Guaranty.

Almost everyone now agrees the meetings were inappropriate. But the participants deny that the substance of the case was discussed, and no evidence has emerged that laws were broken. Even so, many subpoena stories, by dint of

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prominent display, seemed to carry darker implications (QUESTION OF COVER -UP TO BE EXPLORED , as a headline in The Boston Globe put it). When George Stephanopoulos was subpoenaed last week, some papers put the story on page one, though there was no indication why he had been called. (Certainly not because he was neck-deep in Whitewater investments: he was 16 years old when the Clintons cut their deal.)

The most excessive Whitewater coverage involved the White House lawyer Vincent Foster, reportedly a custodian of Whitewater papers, whose death in a park near the Potomac in July was ruled a suicide. In their zeal, some news outlets ran unsubstantiated speculation that he had died elsewhere (for example, in an Administration "safe house") and his body had been moved to the park. The Washington Times actually began a story, "Who killed Vince Foster?" (Finally, ABC News broadcast a photo of the death scene in a broadcast that sought to rebut conspiracy theories, bringing dubious taste to the rescue of common sense.)

An unstated motto of life in the press corps is "Nothing in Moderation." Accordingly, the journalists' appetite for Whitewater swung from something bordering on anorexia to today's binge eating.

It was two years ago that Jeff Gerth of The New York Times first reported on Whitewater and Madison Guaranty and the conflict-of-interest questions they raised. Those questions deserved to be followed up at the time, but the Clinton Presidential campaign deflected the matter and most reporters lost interest. There it rested until last fall, when reports of the Treasury investigation of Madison surfaced. Even then, Whitewater did not become a truly national story because it was complicated, murky and hard to explain. It took wing only in late December, for several reasons.

First was "Troopergate": the allegations of Arkansas state troopers that they were promised Federal jobs if they'd cover up Mr. Clinton's supposed sexual frolicking when he was Governor. That story repelled many reporters, who had no desire to follow the bimbos. But they also didn't want to look soft on Mr. Clinton. They craved an alternative.

And they got one: a revelation that the White House counsel, Bernard Nussbaum, supervised the removal of Whitewater files from Mr. Foster's office after his death. This sensational element made Whitewater easier to convey, and reporters flocked to the story. TV networks, which devoted a total of eight minutes to Whitewater in the first 50 weeks of 1993, gave it 21 minutes in the last two weeks, after the Nussbaum and sex stories broke, Mr. Tyndall says.

The way Whitewater finally took off says something about the standards a scandal must meet these days to draw in the mainstream pack. It must be a "clean scandal, a nice scandal, a scandal suitable for a family newspaper," in the words of Suzanne Garment, a Washington political writer who is author of a book on the dynamics of scandal. But it can't be too clean -- so nice and dry and boring that it will be ignored, as the national savings-and-loan debacle was for so long. We are in the age of tabloidization. There must be a hook for the booboisie.

There's still time to hope that the same forces that unleashed all the hype and shallow coverage may also prompt some reporters to dig harder. Who knows?

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Someday we may actually learn if there is a scandal here.

Meanwhile, the frenzy is taking its toll on the Clintons: even if they are eventually cleared, they will be clawed and pecked on a daily basis for months, given the special counsel inquiry and the coming Congressional hearings. The Administration will be hard-pressed to focus on health care, the most important domestic debate in 25 years. It all brings to mind a couplet from antiquity:

On eagles' wings immortal scandals fly

While virtuous actions are but born and die.

GRAPHIC: Drawing.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 12 OF 19 ITEMS

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USA TODAY

March 23, 1994, Wednesday, FINAL EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 470 words

HEADLINE: Whitewater hearing: Guilty plea / Prosecutors: Ex-judge offers 'great deal of information'

BYLINE: Dennis Cauchon

DATELINE: LITTLE ROCK

BODY

The plea bargain by which former judge David Hale promised to fully cooperate with the Whitewater special counsel provides a key witness in the probe of the complicated Arkansas business dealings, federal prosecutors told the court.

"We're giving up potential (prison) time . . . but we're going to get a great deal of information from a man who has extensive knowledge of the areas we're interested in," said Rusty Hardin, a prosecutor with special counsel Robert Fiske, during a hearing.

Hale, 52, pleaded guilty to two counts of defrauding the Small Business Administration.

Hale claims President Clinton pressured him to make an improper $ 300,000 SBA-backed loan to Susan McDougal, a partner in the Clintons' Whitewater real estate deal.

The loan was purportedly an effort to improve the finances of Madison Guaranty Savings & Loan, owned by Susan McDougal's husband, James, another Whitewater partner.

Fiske said his office opened plea bargain negotiations. Hale quickly agreed and has spent nearly three weeks talking to prosecutors.

In addition to public claims about Clinton, Hale has made other charges of criminal wrongdoing that have not been made public, prosecutors said.

Fiske gave no indication of whether he believes Hale's charges against Clinton. But Hale, whose credibility will be an important issue at any trials, struggled in his first court performance Tuesday.

Under questioning from federal Judge Stephen Reasoner, Hale had difficulty remembering the names of anyone who had received improper SBA loans through his company, Capital Mangement Services

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Inc. - the charge to which he was pleading guilty. "I can't recall right off," Hale said. After long pauses and further questions from Reasoner, Hale named several companies, including a cable TV firm controlled by Arkansas Gov. Jim Guy Tucker.

Outside court, Randy Coleman, Hale's attorney, said Madison S&L had made an $ 825,000 loan to Hale on Feb. 28, 1986.

The previously undisclosed loan was then pumped into Capital Management Services. Hale pleaded guilty Tuesday to making a false loan application to the SBA on Feb. 28, 1986.

McDougal, Hale and Tucker - all suffering financial troubles from failing real estate ventures - made a complicated series of loans and sales to each other in February 1986 in an effort to improve the financial appearances of their companies. Clinton has not been directly tied to the deals.

Madison S&L is an important part of the special counsel's investigation because its failure cost U.S. taxpayers more than $ 47 million.

"David was just carrying on business practices that have been condoned in this state for an extended period of time," Coleman said. "Those who have been in a position of authority to change things and stop them have not done so."

GRAPHIC: PHOTO, b/w, Jeff Mitchell, Reuters; PHOTO, b/w, Democrat-Gazette via AP

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LEVEL 1 - 13 OF 19 ITEMS

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USA TODAY

March 23, 1994, Wednesday, FINAL EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 399 words

HEADLINE: House will consider inquiry

BYLINE: Leslie Phillips

BODY

Tuesday's 408-15 House vote to discuss holding Whitewater hearings helps create a sense of inevitability a large-scale inquiry eventually will be held by Congress.

But Democratic leaders were quick to point out neither the House nor last week's Senate resolutions are binding.

And House Speaker Thomas Foley, D-Wash., held out the possibility nothing will come of the discussions.

"In the end, we may not be able to agree," he said.

Even Rep. Jim Leach, R-Iowa, a key advocate of congressional hearings into President Clinton's Whitewater land deal and the failed Madison Guaranty Savings & Loan, said he is still not "100% sure hearings will happen."

But Republicans believe the Democrats are moving toward holding hearings.

"They will take a political hit if they don't hold hearings after this," said Rep. Robert Walker, R-Pa. "But this buys them a little time."

Both resolutions pledge not to grant immunity to any witness and to conduct hearings in a manner that would not interfere with the investigation of special counsel Robert Fiske.

Leach's pushing for Whitewater witnesses to appear at a House banking committee hearing on Thursday on the savings and loan cleanup prompted cancellation of the hearing by chairman Henry Gonzalez, D-Texas.

Leach said he will deliver a floor speech Thursday to "put some things on the record and in perspective."

In other action:

-- Senior Clinton aide Patsy Thomasson declined to discuss a report she was among White House aides who tried to get access to the late Vincent Foster's safe the night he died.

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USA TODAY, March 23, 1994

At a House hearing, Thomasson said she "would like nothing better" than to tell "what happened that night." But she said she didn't want to interfere with Fiske's probe of how Whitewater files were removed from Foster's office after his July 20 death.

Republicans used the hearing to pepper Thomasson, director of the White House Office of Administration, with questions about delays in issuing White House passes and the easy access that four Democratic consultants have to the White House.

-- Deputy Treasury Secretary Roger Altman testified before a federal grand jury in Washington probing contacts between White House and Treasury officials over a federal investigation of Madison.

In a letter released Tuesday, Altman again upped the number of times he had contact with White House aides on the Madison case.

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LEVEL 1 - 14 OF 19 ITEMS

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USA TODAY

March 23, 1994, Wednesday, FINAL EDITION

SECTION: NEWS; Pg. 1A

LENGTH: 203 words

HEADLINE: Clinton raps 'presumption' of guilt / No predecessor faced 'scrutiny' like Whitewater

BYLINE: Bill Nichols; Adam Nagourney

BODY

President Clinton, insisting he's adopted a "good attitude" about Whitewater, said Tuesday he's still troubled by a media "presumption against the White House."

Clinton, relaxed after a week of appearing angry and frustrated over Whitewater coverage, told USA TODAY, "The presumption is that something is wrong and you have to prove it right."

"I think we can all admit that there is no previous president who has been asked to undergo this level of scrutiny about something that happened so long before he became president in the absence of any credible evidence that any violation of the law occurred."

But Clinton said he's adjusted to the furor: "I think that I have a good attitude about it now."

Other developments Tuesday in the ongoing probe into the relationship of the Clintons, the Whitewater real estate development and a failed Arkansas thrift:

-- After GOP pressure, the House voted to discuss holding Whitewater hearings. The timing of hearings is under discussion.

-- In Little Rock, David Hale, a former municipal judge who says Clinton pressed him to make a questionable loan, pleaded guilty to fraud charges in exchange for cooperating with Whitewater special counsel Robert Fiske.

GRAPHIC: PHOTO, color, Tim Dillon, USA TODAY

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LEVEL 1 - 15 OF 19 ITEMS

Copyright 1994 The Washington Post
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March 23, 1994, Wednesday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 1264 words

HEADLINE: Altman, White House Discussed Recusal

SERIES: Occasional

BYLINE: Ruth Marcus, Ann Devroy, Washington Post Staff Writers

BODY

Deputy Treasury Secretary Roger C. Altman consulted White House officials in earlyFebruary about whether he should remove himself from supervising a politically sensitive federal investigation of Madison Guaranty Savings & Loan but encountered White House resistance to that step, according to administration officials and other sources.

White House counsel Bernard Nussbaum, who has since resigned, expressed doubt that Altman needed to recuse himself and concern about who would oversee the case if Altman, a political appointee serving as acting head of the Resolution Trust Corp., did step down, the sources said. One of the areas under review by the RTC, the agency overseeing the thrift cleanup, was Madison's representation during the mid-1980s by the Rose Law Firm, including Rose partner Hillary Rodham Clinton.

Until this week, the White House and Altman consistently described his Feb. 2 briefing of senior officials about the RTC's handling of potential civil suits arising from the collapse of the Arkansas thrift as a run-of-the-mill, procedural "heads-up" that provided no more information to the White House than was available to lawmakers who asked about it.

But the disclosure of conversations about whether Altman should recuse himself -- at that White House meeting and in at least three subsequent conversations with senior officials, including White House Chief of Staff Thomas F. "Mack" McLarty -- underscores that the discussions about the RTC and Whitewater went beyond purely procedural matters of public record.

Altman, as acting head of an independent regulatory agency, discussed the recusal issue with the White House at a time when Republicans were questioning whether Clinton political appointees could effectively investigate the Whitewater matter.

McLarty said last night that Altman told him, "I'm weighing whether to recuse myself or not" and that McLarty replied, "It's a serious matter. Use your own judgment." Altman testified yesterday before a federal grand jury looking into contacts between senior White House and Treasury officials about the RTC investigation. Special counsel Robert B. Fiske Jr. has made the White House

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meetings a primary initial focus of his investigation into President Clinton's Whitewater land venture and its ties to Madison.

Altman, who was overseeing the Madison investigation as acting RTC head, did not recuse himself when he first raised the subject with the White House. He remained in charge of the RTC investigation until Feb. 25, one day after revealing that he had briefed the White House about the RTC's handling of possible civil suits arising from Madison's collapse.

The White House reaction to Altman's suggestion that he recuse himself seems to illustrate the administration's concern about the status of civil suits relating to Madison.

Administration and other sources familiar with the discussions emphasized that the White House never instructed Altman to remain involved in the Madison case.

"The only question was: 'Who is going to handle this then, who is going to make this decision?' " said one source familiar with the meeting. "You see, they didn't know any of these people, they didn't know who'd be making the decision."

Altman raised the issue of his recusal at the Feb. 2 White House meeting, attended by Nussbaum, Treasury Department general counsel Jean Hanson, White House deputy chief of staff Harold Ickes and Hillary Clinton's chief of staff, Margaret Williams.

In a letter to Senate Banking Committee Chairman Donald W. Riegle Jr. (D-Mich.) yesterday -- after inquiries from The Washington Post about whether the subject of recusal had come up at the meeting -- Altman disclosed that he had discussed removing himself from the Madison case and revealed the additional conversations about the subject with McLarty and Ickes.

Sources said that Altman's consideration of recusal was prompted by intense Republican pressure on the administration's nominee to the Federal Deposit Insurance Corp., Ricki Tigert, to promise to remove herself from FDIC investigations of Madison and the Rose Law Firm. The law firm handled some FDIC civil suits growing out of Madison's failure.

On Feb. 3, the day after the White House meeting, Altman also received a letter from Rep. Jim Leach (R-Iowa) urging him to consider stepping aside. Leach told Altman that it appeared "ethically questionable for a political appointee of the Department of Treasury to make decisions for an independent federal agency when the President may be implicated in enforcement and civil actions."

Altman told the White House officials that he had checked with Treasury and RTC ethics officers and had been told there was no requirement that he recuse himself from Madison cases, the sources said.

An administration source emphasized that Altman was told that if there were a legal or ethical reason to remove himself from the cases, that he should do so, and that the handling of the matter was left up to him. But Nussbaum, who resigned earlier this month in the aftermath of the disclosure of the series of White House-Treasury meetings about Madison, questioned whether Altman should step aside absent a specific need to do so.

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"They wanted to know: Who's going to know what is happening, who decides on what civil cases go forward?" one source familiar with the meeting said. The source said that Altman told the White House officials that it would not matter if he were in place or not because all substantive decisions about how to proceed would be in the hands of the new RTC general counsel, Ellen Kulka.

One source familiar with the meeting described Ickes, who was in charge of Whitewater damage control efforts, as "stoic" about the prospect that Altman would remove himself from the Madison cases. Altman spoke with Ickes a few days later -- as he disclosed in a letter to the Senate Banking Committee Friday -- to again discuss the subject of recusal. Ickes told Altman, "Do what you have to do," a source familiar with the conversation said.

About the same time, Altman also spoke with McLarty, who had arranged the meeting, to tell him he was "leaning toward" recusal.

On Feb. 23, the night before his Senate Banking Committee testimony, Altman telephoned Ickes to tell him that he would announce that he was stepping down from his role as acting head of the RTC at the end of March. About the same time, he also "bumped into" Nussbaum at the White House and learned that the White House would soon be submitting its nominee to head the RTC.

Altman's letter to Riegle reflected the fourth time he has amended his Senate testimony to disclose additional contacts with White House officials relating to Madison.

White House concerns about the absence of a politically responsive head of the RTC were confirmed in the minds of administration officials when they discovered several weeks ago that the RTC had hired Jay B. Stephens, the former U.S. attorney for the District who was fired at the start of the Clinton administration, to handle some of the civil suits arising from Madison's failure.

Stephens, a Republican, had complained that his removal would interfere with the investigation of Rep. Dan Rostenkowski (D-Ill.) and said he was considering running for public office. "People were quite concerned," one senior official said. "Given his highly partisan activities, given the fact that he had criticized the president and the attorney general, given the fact that he had discussed seeking the Republican nomination for the Senate, certainly that raised concern."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 16 OF 19 ITEMS

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The Washington Times

March 23, 1994, Wednesday, Final Edition

SECTION: Part A; Pg. A16

LENGTH: 863 words

HEADLINE: Gonzalez stands like stone wall after open career

BYLINE: Rod Dreher; THE WASHINGTON TIMES

BODY

What is it with Henry Gonzalez these days? A lot of people, including the eccentric House Banking Committee chairman's admirers, would like to know.

The Texas Democrat, whose reputation in recent years was built on a damn-the-torpedoes attitude favoring governmental openness and public accountability, has become one of the strongest dams holding back congressional inquiry into Whitewater-Madison shenanigans.

On Monday, Mr. Gonzalez's resolve began to crack under pressure. In a letter to Speaker Thomas S. Foley, Washington Democrat, he called for a House resolution authorizing Whitewater-Madison hearings.

But in what appeared to be a face-saving gesture, the chairman fired off a harsh letter to Rep. Jim Leach of Iowa, the ranking Republican on the Banking Committee, in which he postponed a Thursday oversight hearing at which Republicans had hoped to raise Whitewater-Madison questions. The tone of the letter was so venomous that Mr. Foley called Mr. Leach to apologize on the House's behalf.

"Nobody on the Hill has proclaimed the public's right to know more often or more energetically than Henry Gonzalez in the 10 years I've been here," said Rep. Dick Armey, Texas Republican. "I guess there's been a recent Lenten conversion on his part. . . . How do you account for that? I don't know."

Influential columnist William Safire wrote a more-in-sorrow-than-in-anger piece in Monday's New York Times, calling Mr. Gonzalez a "hero" for taking on the banking industry and the executive branch during the Bush years and wondering why the congressman has shown "unprecedented partisanship" in "stonewalling" for President Clinton.

Mr. Safire warned that a televised hearing in which the Democratic chairman gaveled down every Republican question related to the Whitewater Development Corp. and Madison Guaranty Savings and Loan Association would be a political embarrassment for Democrats. Congressional Democrats agreed and squeezed the feisty Texan until they got him to do something he rarely does: back down.

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Mr. Gonzalez, who did not return phone calls for comment, may look like Zorba the Greek, but to many people the wily populist behaves like Don Quixote. A biography in "Politics in America" says: "For years, few members of Congress had a reputation on Capitol Hill so contrary to their image back home as Gonzalez, who was revered in San Antonio while being dismissed by most House colleagues as a flake."

Mr. Gonzalez, 77, has earned his gonzo credentials in a long, and long-winded, 17-term career in Congress. In 1963, still new to the chamber, he threatened to horsewhip a Republican member on the House floor for calling him a communist. In 1986, he punched out a man half his age in a San Antonio restaurant for making the same mistake.

He has a reputation for taking personal crusades to the House floor and talking for hours, sometimes when nobody's there to listen. Journalist Mark Shields remembers Mr. Gonzalez standing in the chamber making speech after speech in the 1970s accusing organized crime of the murder of a Texas judge - hardly the usual business of Congress.

"Four years later, the FBI indicted five people in the judge's murder and publicly thanked Gonzalez for keeping the story alive," Mr. Shields said.

The son of Mexican immigrants, Mr. Gonzalez was the first Mexican-American elected to Congress. He grew up poor, the victim of racial discrimination, and dedicated his political career to being a champion of the disenfranchised and the victims of discrimination. Mr. Gonzalez is a hero to his largely Hispanic constituents, who call him "Henry B." to distinguish him from that other high-profile San Antonio politician, Housing and Urban Development Secretary Henry Cisneros.

An avowed liberal and no stranger to the extravagant gesture, he called twice for the impeachment of President Reagan - for the Grenada invasion and Iran-Contra - and once for the removal of President Bush - for the Persian Gulf war.

After nearly three decades in loopy obscurity, Mr. Gonzalez began his rehabilitation when he became chairman of the Banking Committee after the upset defeat of Rep. Fernand St. Germain, Rhode Island Democrat, in 1988.

Heedless of the embarrassment to his party, Mr. Gonzalez led a pit-bull charge against S&L kingpin Charles Keating and five senators - four of them Democrats - who took campaign contributions from Keating and his associates. He also tore into Democratic Party eminence grise Clark Clifford before the committee in 1991 for his part in the Bank of Credit and Commerce International scandal.

When Mr. Leach began his personal investigation of President Clinton's involvement in Whitewater-Madison, the two iconoclasts - the soft-spoken Iowan and the garrulous Texan - would have seemed like natural allies.

But in postponing the Banking Committee hearing, Mr. Gonzalez delivered a figurative uppercut to the chin of Mr. Leach, denying the Republican a forum to release new, damaging information about the Clintons.

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The Washington Times, March 23, 1994

GRAPHIC: Photo, Rep. Henry Gonzalez, By AP
LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 17 OF 19 ITEMS

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Chicago Tribune

March 23, 1994 Wednesday, NORTH SPORTS FINAL EDITION

SECTION: EDITORIAL; Pg. 16; ZONE: N

LENGTH: 437 words

HEADLINE: WHITEWATER SPILLS OVER THE DAM

BODY

Yielding at last to the inevitable, most Democrats in the House of Representatives joined the Republicans Tuesday in voting to hold hearings on the so-called Whitewater affair.

While the decision may or may not be governmentally wise, it definitely is politically smart. Resisting hearings had become a bankrupt strategy for the Democrats and for the president on whose behalf they resisted.

Whether Bill and Hillary Rodham Clinton appreciate it or not, acceding to hearings probably was the greatest favor their congressional allies could have done them.

Now, perhaps, the facts of this strange controversy-it certainly doesn't merit the name "scandal"-can be submitted to a candid world.

Equally important from the Clintons' standpoint, perhaps the president and those who support him can begin to look like they have nothing to hide, instead of just saying it.

That certainly isn't how they looked Monday, when Rep. Henry Gonzalez (D-Texas), chairman of the House Banking Committee, abruptly canceled an oversight hearing on the Resolution Trust Corp. that had been scheduled for Thursday.

In a letter that by normal standards of congressional etiquette was exceptionally bitter, Gonzalez told Rep. Jim Leach of Iowa, the ranking Republican on the committee and the most relentless congressional pursuer of Whitewater, that he would not allow him to turn the oversight hearing into a "prosecutorial or judicial adventure" into the Clintons' failed Arkansas land deal and other business affairs.

Leach had made no secret that he intended to inquire into such matters, the basis being that the Clintons' partner in the Whitewater deal was James McDougal, whose Madison Guaranty Savings & Loan went belly up several years ago at a cost to the government of about $60 million. Leach wants to know whether any Madison Guaranty funds went into the land development or, for that matter, into any of Bill Clinton's Arkansas political campaigns.

Gonzalez said he was acting to assure there would be no interference with the investigation of the Whitewater special counsel, Robert Fiske. Maybe so. But it

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looked suspiciously as if he-and the president-had something to hide.

Indeed, it's that suspicious behavior that has made this controversy into the problem that it has become for the administration. One week it's secret White House briefings by the acting head of the RTC. Another week it's the head of the banking committee canceling a hearing so the opposition can't ask questions.

It's time for a full-fledged, wide-open hearing. Open up the windows and let the bad air out.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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LEVEL 1 - 18 OF 19 ITEMS

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March 23, 1994 Wednesday, NORTH SPORTS FINAL EDITION

SECTION: NEWS; Pg. 3; ZONE: N

LENGTH: 548 words

HEADLINE: HOUSE HEARINGS ON WHITEWATER APPEAR LIKELY

BYLINE: From Tribune Wires.

DATELINE: WASHINGTON

BODY

Despite Democratic reluctance, a congressional probe of the Whitewater case became a virtual certainty Tuesday as the House joined the Senate in calling for hearings.

The House vote was 408-15 on legislation calling on Democratic and Republican leaders to work out an "appropriate timetable" for hearings without interfering in the work of special counsel Robert Fiske.

While dates and ground rules for hearings remain to be set, the legislation marked a retreat for House Speaker Thomas Foley (D-Wash.), who has been under pressure from Republicans and some Democrats to drop his opposition to hearings.

"While we cannot and should not ignore Whitewater, neither can we allow it to flood the chamber," Majority Leader Richard Gephardt (D-Mo.) said shortly before the vote.

House GOP leader Bob Michel of Illinois pledged hearings "in a very orderly manner." He added, "I don't want to see any kind of circus atmosphere."

Foley announced his decision to submit legislation on hearings at a joint news conference with Michel, after a private meeting of leaders of both parties.

The legislation says no witness should be granted immunity over Fiske's objection, and no hearings are expected in either the House or Senate until after Fiske has concluded the Washington portion of his investigation.

Rep. Jim Leach (R-Iowa), who has been leading the Republican attack on Whitewater in the House, pledged "decency of temper . . . strict adherence to the rules of the House and everything possible to be respectful of operations of the special counsel's office."

The Senate voted 98-0 last week to hold Whitewater hearings, but its leaders have yet to begin any planning.

At the White House, an aide to President Clinton said a presidential news conference to clear the air on Whitewater, perhaps as early as Thursday, was

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under serious consideration.

"The press more than likely won't have access to him (Clinton) next week," the aide said. "The thinking is to get it over with in one open forum this week so it doesn't look like he is trying to avoid the issue next week."

Clinton leaves for Dallas on Friday for the wedding of his half-brother, Roger. He may stay in Dallas through the weekend and then go to California for vacation next week, an aide said.

Elsewhere in Washington, Deputy Treasury Secretary Roger Altman appeared before a grand jury looking into the case. The top overseer of the savings and loan cleanup, he has acknowledged discussing with White House officials procedural details of that cleanup relating to Madison Guaranty, the failed Arkansas thrift involved in the Whitewater land deal.

"I have had an opportunity to provide all the facts for Mr. Fiske's investigation," Altman said as he left the grand jury room. "I'm ready to do the same in any congressional inquiry."

Fiske is using grand juries in Little Rock and Washington to probe a complicated series of transactions that originally covered the Clintons' investment in the Whitewater land venture, then expanded to include Madison Guaranty, and finally, the White House meetings. It also touches on the apparent suicide of Vincent Foster, a friend of the Clintons' from Little Rock who was deputy White House counsel at the time of his death last summer.

LANGUAGE: ENGLISH

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March 23, 1994 Wednesday, NORTH SPORTS FINAL EDITION

SECTION: NEWS; Pg. 3; ZONE: N

LENGTH: 589 words

HEADLINE: ACCUSER OF CLINTON PLEADS GUILTY;
ARKANSAN IN FRAUD CASE TO HELP WHITEWATER PROBERS

BYLINE: From Tribune Wires.

DATELINE: LITTLE ROCK, Ark.

BODY

A businessman and former judge who has alleged that President Clinton was involved in a questionable loan pleaded guilty Tuesday to two unrelated fraud charges involving the operation of his federally backed lending company.

David Hale admitted to conspiring to defraud the Small Business Administration and, in a new charge, admitted to falsifying information on a 1986 application to obtain federal funds to lend to economically disadvantaged businesses.

The plea came under an agreement with special counsel Robert Fiske that clears the way for Hale to testify before a grand jury in Little Rock looking into the failure of an Arkansas savings and loan and the Clintons' Whitewater land venture.

Rusty Hardin, Fiske's assistant, told U.S. District Judge Stephen Reasoner that Hale has been working with prosecutors for about two weeks and said the former municipal judge has "extensive knowledge in the areas we are investigating."

Hale has said Clinton, when he was Arkansas governor in 1986, urged him to make a $300,000 loan to a company owned by Susan McDougal, one of the Clintons' business partners in the Whitewater land venture.

Clinton has denied any wrongdoing, and there was no mention of him or Whitewater in the indictments filed Tuesday.

Investigators are trying to determine if some of the money from the loan was improperly diverted to the Whitewater account at a time when the Susan McDougal and her husband, James, as managers of the account, were buying more land.

Hale, who operated Capital Management Services Inc. in Little Rock, has said Clinton first mentioned the loan to him in February 1986.

Hale said he approved the loan to Susan McDougal in April 1986 and about a third of the money eventually ended up in Whitewater's checking accounts. It was

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never paid back.

Hale admitted defrauding the Small Business Administration of $900,000 by falsely stating the amount of private funds invested in Capital Management Services and by disguising bad loans as current or paid.

He also admitted making loans that improperly benefited "himself and various other people." Hale's lawyer, Randy Coleman, said one loan was the $300,000 to Susan McDougal.

Hardin also made a link between Hale's company and Madison Guaranty Savings and Loan, the failed Arkansas thrift owned by James McDougal.

Hardin said that Hale's company got a loan from Madison and used the money to help qualify for SBA funds.

Fiske is trying to determine whether funds from Madison were illegally diverted in the mid-1980s to prominent Arkansans, including the Clintons.

Among the questions Fiske is investigating is whether Hale's company may have been used to move troublesome loans off Madison's books and out of the sight of federal regulators, according to several witnesses who have been subpoenaed by the Fiske.

At Hale's recent pretrial hearing, lawyers and witnesses talked about a potential scheme involving several businesses and "bogus loans" that helped prominent Arkansans.

The beneficiaries were not identified.

Hale's company was backed by the SBA to make loans to entrepreneurs who were "socially and economically disadvantaged." But many beneficiaries were in fact prominent Arkansans.

For instance, Hale's company lent some $550,000 to companies with ties to current Arkansas Gov. Jim Guy Tucker.

Other loan recipients were connected to Madison, such as Susan McDougal and former Madison president Tommy Trantham, who got a $100,000 loan from Hale, records show.

GRAPHIC: PHOTO; PHOTO: Former Judge David Hale is driven under guard from U.S. courthouse in Little Rock, Ark., Tuesday. Reuters photo.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 23, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Trudy Walsh
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: February 25, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are six (6) news articles from Nexis, relating to Madison Guaranty, dated February 24, 1994.

LEVEL 1 - 1 OF 6 ITEMS

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

February 24, 1994, Thursday, PM cycle

SECTION: Washington Dateline

LENGTH: 791 words

HEADLINE: Senate Republicans Get Chance to Air Whitewater Case

BYLINE: By LARRY MARGASAK, Associated Press Writer

DATELINE: WASHINGTON

BODY

In a blistering partisan attack on the Whitewater affair, Senate Republicans today accused Democrats of failing to vigorously pursue the case, especially potential conflicts of interests involving Hillary Rodham Clinton's former law firm.

Alfonse D'Amato, the ranking Republican on the Senate Banking Committee, quickly turned a hearing designed to review the Resolution Trust Corp.'s work into an inquest into President and Mrs. Clinton's business dealings.

Democrats responded that the GOP was simply trying to exploit the Clintons' Whitewater real estate investment and ties to a failed Arkansas S&L for political gain.

"I truly believe what we're doing is piling on in a partisan fashion," said Sen. John Kerry, D-Mass.

While the parties bickered for more than 90 minutes, high-powered witnesses like Federal Reserve Chairman Alan Greenspan and Treasury Secretary Lloyd Bentsen cooled their heels, waiting for a chance to speak.

D'Amato said an RTC report he received late Wednesday showed federal regulators who reviewed possible conflicts at the Rose Law Firm in Little Rock, Ark., did not contact "former and current" lawyers at the firm who were knowledgeable about the matter.

"This is really one heck of a thorough report," he said sarcastically.

The firm, including Mrs. Clinton, worked for Madison Guaranty S&L during the mid-1980s went the troubled thrift sought state approval for a plan to raise new capital.

After the S&L failed, the Rose firm represented the government in a lawsuit

accusing an accounting firm of negligence in the thrift's demise.

Recently, Federal Deposit Insurance Corp. officials raised questions about whether the firm adequately disclosed potential conflicts, including its prior work for Madison and the fact that the father-in-law of one of its senior partners, Webster Hubbell, had extensive financial dealings with the thrift.

The FDIC ruled last week there was insufficient evidence to take action, saying that the applicable conflict of interest rules weren't enacted until after Rose got the contract.

Sen. Lauch Faircloth, R-N.C., sharply criticized the FDIC report, saying it suffered from "memory lapses" and amounted to "an eight-page plea of insanity."

He said the Rose Law Firm and Mrs. Clinton "profited at both ends of the Madison deal."

Republicans said Democrats would have vigorously pursued such a case had it involved a Republican administration, noting the congressional inquiries into a failed S&L tied to President Bush's son, Neil.

Sen. Donald W. Riegle Jr., D-Mich., the committee chairman, said a congressional investigation into Whitewater was unnecessary because a special prosecutor had started his own probe.

"Any effort to undertake a full blown inquiry would be time consuming and conflict with the legal process," Riegle said. "I don't think we can justify doing that."

On the House floor today, Rep. William Clinger of Pennsylvania, the ranking Republican on the House Government Operations Committee, said he had asked the panel's Republican staff to begin an inquiry into the government's role investigating the death of deputy White House counsel Vince Foster.

After Foster committed suicide last July, Whitewater records in his office were given to the Clintons' attorney. Foster, who had represented the Clintons, was a partner in the Rose firm.

Clinger said the Republican probe would seek to determine "exactly what role the White House played and to what degree, if any, White House officials hindered or impeded the investigation" of Foster's death by the FBI, the Secret Service and other federal agencies.

D'Amato also complained that documents he formally requested from the RTC last week weren't delivered until late Wednesday.

"This is unacceptable when documents of this importance are dropped on us at midnight. That's not fair to us. That's not fair to the American people," he said.

The hook to bring Whitewater into the hearing is Madison, an Arkansas S&L that cost taxpayers at least $ 47 million when it failed. James McDougal, the S&L's owner, and his former wife Susan were partners with the Clintons in the Whitewater real estate development.

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Justice Department special counsel Robert Fiske is trying to determine, in part, whether the S&L's funds were used in the mid-1980s to pay Clinton's political debts and whether Madison deposits were diverted to other entities controlled by McDougal, including Whitewater.

There will be a replay of the hearing next month before the House Banking Committee. The ranking committee Republican, Rep. Jim Leach of Iowa, has been conducting an extensive probe of Whitewater using House GOP staff. This would be his first chance to question witnesses about the Republican findings.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 24, 1994

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LEVEL 1 - 2 OF 6 ITEMS

The Associated Press

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February 24, 1994, Thursday, AM cycle

SECTION: Washington Dateline

LENGTH: 693 words

HEADLINE: Senate Republicans Get Chance to Air Whitewater Case

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: WASHINGTON

BODY

They came to answer questions about the savings and loan crisis. But high-powered witnesses including Federal Reserve Chairman Alan Greenspan could only sit by while Republicans and Democrats duked it out in a political battle over the Whitewater affair.

GOP members of the Senate Banking Committee used an oversight hearing on the government's S&L cleanup agency Thursday to accuse Democrats and regulators alike of failing to vigorously pursue either the Whitewater affair or the failure of an S&L with ties to President Clinton and Hillary Rodham Clinton.

Democrats fired right back, however, contending that any congressional action on Whitewater could jeopardize a criminal investigation now being conducted by special counsel Robert Fiske. There were sharp words, too, for GOP members Democrats said took no previous interest in other S&L matters.

"We're not talking about where the $ 150 billion in the S&L crisis went," said Sen. John Kerry, D-Mass. "This is why the taxpayers get so fed up - all we do is dig into politics."

As this played out, Greenspan, Treasury Secretary Lloyd Bentsen and others sat and waited. They had come to talk about the Resolution Trust Corp.

Sen. Alfonse D'Amato of New York, the panel's ranking Republican, set the tone, criticizing the RTC for not delivering until Wednesday evening a set of documents related to the failure of Madison Guaranty Savings and Loan.

Then he assailed an RTC report into possible conflicts at the Rose Law Firm in Little Rock, Ark., because regulators did not contact "former and current" lawyers at the firm who were knowledgeable about the matter.

"This is really one heck of a thorough report," he said sarcastically.

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The firm, including Mrs. Clinton, worked for Madison Guaranty S&L during the mid-1980s when the troubled S&L sought state approval for a plan to raise new capital. Later, after Madison's failure, the Rose firm was hired by regulators to sue the S&L's accountants. The S&L was owned by James McDougal, a partner with the Clintons in the Whitewater Development Corp., a real estate venture.

Democrats were having none of it.

Kerry, long an RTC critic, came armed with charts showing 193 thrift failures that each cost taxpayers more than the $ 47 million bailout attached to Madison. He also said GOP committee members took little interest in those failures or other problems within the RTC, including when agency whistleblowers testified in a hearing last fall that waste, fraud and incompetence run rampant in the agency.

"Not one Republican cared enough to come ... when those whistleblowers were here to talk to us," Kerry said.

"Can we talk about a coverup?" D'Amato shot back, zeroing in on Whitewater. "It's a whitewash."

Recently, Federal Deposit Insurance Corp. officials investigated whether Rose adequately disclosed potential conflicts, including its prior work for Madison and the fact that the father-in-law of one of its senior partners, Justice Department official Webster Hubbell, had extensive financial dealings with the thrift.

The FDIC ruled last week there was insufficient evidence to take action, saying that the applicable conflict of interest rules weren't enacted until after Rose got the contract.

Sen. Lauch Faircloth, R-N.C., sharply criticized the FDIC report, saying it suffered from "memory lapses" and amounted to "an eight-page plea of insanity."

Regulators heatedly reminded him that under the rules applicable then, only a clear conflict of interest, not simply the appearance of one, would prevent a prospective contractor from working for the government.

Republicans contended that Democrats would have vigorously pursued such a case had it involved a Republican administration, recalling the congressional inquiries into a failed S&L tied to former President Bush's son, Neil.

Sen. Don Riegle, D-Mich., the committee chairman, said a congressional investigation into Whitewater was unnecessary because Fiske has already begun his probe.

"Any effort to undertake a full-blown inquiry would be time consuming and conflict with the legal process," Riegle said. "I don't think we can justify doing that."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 24, 1994

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LEVEL 1 - 3 OF 6 ITEMS

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The Houston Chronicle

February 24, 1994, Thursday, 2 STAR Edition

SECTION: A; Pg. 7

LENGTH: 697 words

HEADLINE: Ex-N.Y. prosecutor leads probe into Foster suicide

BYLINE: GLEN GOLIGHTLY, SUSAN SCHMIDT; Staff, Washington Post

DATELINE: WASHINGTON

BODY

WASHINGTON -- Special counsel Robert B. Fiske Jr. announced on Wednesday that he has hired a prominent former New York prosecutor to lead an investigation into the events relating to the suicide last summer of former White House deputy counsel Vincent Foster.

Fiske said Roderick C.Lankler will open a Washington office to investigate Foster's death.

Houstonian Rusty Hardin was among seven other lawyers hired by Fiske. Like Hardin, most of them are current or former prosecutors or have backgrounds in investigating financial crimes.

They will be based in Little Rock.

The independent counsel's investigation will examine President Clinton and Hillary Rodham Clinton's financial dealings with the Whitewater real-estate venture, the failed Madison Guaranty Savings & Loan and related business entities.

At the time of his death July 20, Foster was the Clintons' personal lawyer. He was working on a blind trust for them and had recently prepared three years of delinquent corporate tax returns on the Whitewater Development Corp., a company jointly owned by the Clintons and Madison owner James McDougal and his former wife Susan.

Months after Foster's death, the White House revealed that a file on Whitewater was taken from Foster's office shortly after his death and turned over to a private lawyer for the Clintons. The Park Police have complained that their investigation of Foster's death was impeded by White House aides, who refused to allow them to examine some of the documents in Foster's office.

Lankler was chief of the trial division for the Manhattan District Attorney's Office under Robert Morgenthau and then worked as a special state prosecutor investigating allegations of

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corruption in the criminal-justice system. As a private lawyer since 1984, he served on a commission investigating police corruption.

Fiske also said he will be ready to go to trial next month, as previously scheduled, against former Arkansas municipal Judge David Hale. Hale is accused of defrauding the Small Business Administration, and his venture-capital company had dealings with Whitewater and Madison.

Hale has alleged that Clinton, as governor, pressured him to make a $ 300,000 SBA loan to Susan McDougal. Some of the loan proceeds financed a Whitewater land purchase. Clinton has denied pressuring Hale or knowing about Whitewater's use of the loan.

Whitewater was a company jointly owned by the Clintons and the McDougals.

Fiske said the government's trial team in the Hale prosecution will be led by Hardin, a partner with the Houston law firm of Hardin, Beers, Hagstette & Davidson. Hardin was with the Harris County district attorney's office for 15 years.

Hardin, a Democrat, left his longtime post as chief of the district attorney's Felony Division C in 1990 to go into private practice and to head a political action committee promoting appeals court candidates.

He came to the district attorney's office in 1975, fresh from Southern Methodist University Law School, saying that making a career out of prosecuting crooks was not on his agenda.

Hardin jokingly told the Houston Chronicle in 1990 about his experience with the district attorney's office: ""I thought I'd stay 3 1/2 years to get experience and then go out and save the world. ''

He successfully defended Harris County Commissioner Jerry Eversole against four misdemeanor indictments allegeding that he provided false information on use of campaign funds. Hardin also successfully prosecuted a lawsuit in 1992 to remove Fort Bend County District Attorney Jack Stern from office.

The other lawyers hired by Fiske are William S. Duffy Jr., a partner in an Atlanta firm, who conducted an internal investigation of banking practices at E.F.Hutton after the firm pleaded guilty to fraud charges; Denis J. McInerney, Julie O'Sullivan and Mark J. Stein, all former federal prosecutors in New York; Patrick Smith, an attorney from Fiske's New York law firm, Davis Polk & Wardwell; and Carl J. Stich Jr., a former Ohio prosecutor who handled cases arising from the collapse of the state's privately insured savings and loans.

GRAPHIC: Mug: Rusty Hardin

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LANGUAGE: ENGLISH
NOTES: Houston Chronicle staff writer Glen Golightly contributed to this report.

LOAD-DATE-MDC: February 25, 1994

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LEVEL 1 - 4 OF 6 ITEMS

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Los Angeles Times

February 24, 1994, Thursday, Home Edition

SECTION: Part A; Page 10; Column 1; National Desk

LENGTH: 926 words

HEADLINE: SPECIAL COUNSEL APPOINTS 8 WHITEWATER PROBE AIDES;
INVESTIGATION: ONE WILL FOCUS SOLELY ON EVENTS SURROUNDING FOSTER'S DEATH. TEXAN WILL TRY CASE INVOLVING LOAN TO PARTNER IN THE REAL ESTATE DEAL.

BYLINE: By SARA FRITZ, TIMES STAFF WRITER

DATELINE: LITTLE ROCK, Ark.

BODY

Special counsel Robert B. Fiske Jr. on Wednesday appointed eight lawyers to assist in his investigation of the Whitewater affair -- most of them, like himself, attorneys from New York, but two of them Southerners whose style will be more familiar in President Clinton's home state of Arkansas.

Although Fiske declined to discuss details of the investigation, his appointments revealed much about the strategy he intends to use in pursuing a wide investigation of Clinton's joint investment in the Whitewater Development Corp. with James B. McDougal, the owner of a failed savings and loan.

For instance, Fiske made it clear that he regards as serious the allegations that Whitewater may have precipitated the apparent suicide last year of White House lawyer Vincent Foster. Files on the Whitewater deal were removed from Foster's office by Clinton aides shortly before law enforcement authorities arrived to investigate the suicide.

Fiske said one of his appointees, Roderick C. Lankler, a New York lawyer and former prosecutor, will be located in Washington and assigned to focus strictly on events surrounding Foster's death. Once chief litigator under New York Dist. Atty. Robert M. Morgenthau, Lankler has assisted in several New York political corruption inquiries since entering private practice in 1984.

The special counsel, appointed by Atty. Gen. Janet Reno little more than a month ago, also made it clear that he intends a fast start that will enable him to complete the investigation within a year. To that end, he said he will be ready by March 28 to prosecute former Arkansas Judge David Hale, along with two co-defendants, on loan fraud charges.

Although the charges against him are technically unrelated to Whitewater, Hale contends that he acted on Clinton's request when he loaned $300,000 from his government-subsidized venture capital investment fund to Susan McDougal, James McDougal's ex-wife and another partner in the Whitewater deal along with First Lady Hillary Rodham Clinton.

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So far, sources said, Fiske has refused to offer Hale leniency in exchange for his testimony about the Clintons. But Fiske's decision to take responsibility for the Hale case, which was being investigated by the Justice Department, was seen by lawyers in the case as an acknowledgment of Hale's contention that the cases are related.

A partner in the prominent New York law firm of Davis Polk & Wardwell and a former U.S. attorney in Manhattan during the Gerald R. Ford and Jimmy Carter administrations, Fiske predictably selected mostly attorneys with backgrounds similar to his. Only three of his appointees were from outside New York.

But recognizing that his legal team may encounter some hostility from friends of Clinton in the President's home state of Arkansas, Fiske chose an experienced Texas trial lawyer with a thick Southern drawl, Russell (Rusty) Hardin Jr., to try Hale's case in federal court in Little Rock.

Fiske said he does not intend to ask for a postponement of the trial while Hardin becomes familiar with the case. He said Hardin already is working with Denis J. McInerney, a close Fiske associate who joined the investigation shortly after the independent counsel was chosen but was not officially appointed until Wednesday.

The other Southerner appointed by Fiske is William S. Duffey Jr. A resident of Atlanta and a partner in the firm of King & Spalding, Duffey has specialized in complex civil and criminal investigations, including an internal investigation of E. F. Hutton after the firm pleaded guilty to 2,001 counts of mail and wire fraud. He also participated in the internal Exxon inquiry after the 1989 grounding of the Exxon Valdez in Alaska's Prince William Sound resulted in the biggest oil spill in U.S. history.

Although Fiske is said to be undaunted by the length of time that has passed since the events of Whitewater or by the number of missing documents, he is understood to be sensitive to feelings of many former Clinton associates in Arkansas who think that they have been falsely portrayed in the Northern press as a network of "good ol' boys."

That sentiment was expressed recently by McDougal's attorney, Sam Huer of Little Rock, who said in an Associated Press interview that he resented the new round of "Arkansas-ology" that the Whitewater investigation had sparked.

As many reporters have discovered, most Arkansans involved in Whitewater have repeated their recollections so often to the news media and law enforcement officials that Fiske will be hard-pressed to find fresh witnesses whose stories have not been simplified by constant repetition.

Fiske already has met with lawyers representing many of the key figures in the case, among them Bobby McDaniel, lawyer for Susan McDougal, and Randy Coleman, Hale's lawyer.

Fiske's investigation must determine, among other things, whether federally guaranteed funds from McDougal's Madison Guaranty Savings & Loan were funneled into Whitewater.

Fiske's assistants bring an impressive record of experience in white-collar

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crime cases.

In addition to Lankler, Hardin, McInerney and Duffey, his staff includes Julie R. O'Sullivan, a Stanford graduate who worked with Fiske at Davis Polke & Wardwell until she became assistant U.S. attorney in New York in 1991; Patrick J. Smith, an associate at Davis Polk; Mark J. Stein, another former Davis Polk lawyer who was deputy chief of the criminal division of the U.S. attorney's office in New York, and Carl J. Stich Jr., a partner in the Cincinnati law firm of Dinsmore & Shohl.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 25, 1994

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LEVEL 1 - 5 OF 6 ITEMS

Copyright 1994 The New York Times Company
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February 24, 1994, Thursday, Late Edition - Final

SECTION: Section A; Page 14; Column 1; National Desk

LENGTH: 681 words

HEADLINE: Former Prosecutor to Study White House Aide's Suicide

BYLINE: By STEPHEN LABATON, Special to The New York Times

DATELINE: WASHINGTON, Feb. 23

BODY

The independent counsel investigating the real estate investments of Bill Clinton and his wife, Hillary, said today that he had selected a seasoned former New York prosecutor to look into the suicide of a senior White House official last summer.

The counsel, Robert B. Fiske Jr., said that the Washington office of his investigation would be headed by Roderick C. Lankler, who will examine the death of Vincent W. Foster Jr. last July. Mr. Fiske also announced the appointment of seven lawyers to the inquiry's Little Rock office.

Mr. Foster, the deputy White House counsel and a close friend of the Clintons, was handling a number of personal financial matters for them. Shortly after his death, papers concerning the Clintons' taxes, blind trust and real estate investments were transferred from the Foster office in the West Wing of the White House to the Clintons' personal lawyer at a Washington firm. In December, the papers on the real estate investments were subpoenaed by the Justice Department, and last month the White House said they had been turned over to investigators.

Mr. Fiske was appointed five weeks ago by Attorney General Janet Reno to investigate whether a savings association improperly funneled money into a real estate company, Whitewater Development, that was owned by the Clintons and James B. McDougal, and his wife, Susan. The McDougals also ran the savings association, Madison Guaranty Savings and Loan, which Mr. Fiske is examining to see whether it improperly provided money to Mr. Clinton's campaign when he was governor of Arkansas.

Mr. Fiske said he intended to spend most of his time in Little Rock but would also be shuttling between offices in Washington and New York. The Manhattan office is to be a place where Mr. Fiske's staff can meet and keep documents. Many of the lawyers on Mr. Fiske's staff are from New York.

The headquarters for the counsel's office in Little Rock is expected to have at least seven lawyers in addition to 25 agents and financial analysts from the Federal Bureau of Investigation.

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Mr. Lankler, a 56-year-old lawyer now in private practice in Manhattan, has had a long career investigating public corruption. He served last year as a member of a mayoral commission headed by Milton Mollen, a former deputy mayor and judge, that explored bribery, brutality and other problems within the ranks of the New York City Police Department.

Under former District Attorney Frank S. Hogan of Manhattan, Mr. Lankler served for eight years during the 1960's as a prosecutor, mostly of homicides. He later became the chief of the Trial Division under District Attorney Robert M. Morgenthau and a special New York State prosecutor responsible for the investigation of corruption in the New York City criminal justice system.

In making his first announcement about his staff, Mr. Fiske showed a heavy preference for young lawyers from the United States Attorney's office in Manhattan and from Davis, Polk & Wardwell, the Wall Street law firm where he is a partner and from which he has taken a leave. Three of the six lawyers hired by Mr. Fiske for the Little Rock office have worked both at the Federal prosecutor's office in Manhattan and at Davis, Polk; a fourth lawyer appointed today worked recently on a case with Mr. Fiske at the firm.

Mr. Fiske also said that Russell Hardin Jr., a former Texas prosecutor, would handle the case against a former municipal judge from Little Rock who was also a longtime Clinton supporter and has been accused of loan fraud. The judge, David Hale, has said that Mr. Clinton and Mr. McDougal pressured him to lend them money from his federally backed company. Mr. Clinton and Mr. McDougal have disputed Mr. Hale's account.

Mr. Hale pleaded not guilty today to a three-count indictment of fraud and making false statements. His trial is scheduled to begin on March 28 in Federal District Court in Little Rock. The other lawyers on Mr. Fiske's staff are William S. Duffey Jr., Denis J. McInerney, Julie R. O'Sullivan, Patrick J. Smith, Mark J. Stein and Carl J. Stich Jr.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 24, 1994

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LEVEL 1 - 6 OF 6 ITEMS

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The Washington Post

February 24, 1994, Thursday, Final Edition

SECTION: FIRST SECTION; PAGE A12

LENGTH: 482 words

HEADLINE: Special Counsel Hires Former Prosecutor for Foster Death Probe

SERIES: Occasional

BYLINE: Susan Schmidt, Washington Post Staff Writer

BODY

Special counsel Robert B. Fiske Jr. yesterday announced he has hired a prominent former New York prosecutor to lead an investigation into the events relating to the suicide last summer of former White House deputy counsel Vincent Foster.

In a written statement released to reporters, Fiske said that Roderick C. Lankler will open a Washington office to investigate Foster's death.

Most of the seven other lawyers hired by Fiske are current or former prosecutors or have backgrounds in investigating financial crimes. They will be based in Little Rock, Ark.

The special counsel's investigation will examine President Clinton and Hillary Rodham Clinton's financial dealings with the Whitewater real estate venture, the failed Madison Guaranty Savings & Loan and related business entities.

At the time of his death July 20, Foster also was the Clintons' personal lawyer. He was working on a blind trust for them and had recently prepared three years of delinquent corporate tax returns on the Whitewater Development Corp., a company jointly owned by the Clintons and Madison owner James McDougal and his former wife Susan.

Months after Foster's death, the White House revealed that a file on Whitewater was taken from Foster's office shortly after his death and turned over to a private lawyer for the Clintons. The U.S. Park Police have complained that their investigation of Foster's death was impeded by White House aides, who refused to allow them to examine some of the documents in Foster's office.

Lankler was chief of the trial division for the Manhattan District Attorney's office under Robert Morgenthau and then worked as a special state prosecutor investigating allegations of corruption in the criminal justice system.

Fiske also said he will be ready to go to trial next month, as previously scheduled, against former Arkansas municipal judge David Hale, who is accused of defrauding the Small Business Administration.

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Hale has alleged that Clinton, as governor, pressured him to make a $ 300,000 SBA loan to Susan McDougal. Some of the loan proceeds financed a Whitewater land purchase. Clinton has denied the charge.

Fiske said the government's trial team in the Hale prosecution will be led by Russell Hardin Jr., a partner with the Houston law firm of Hardin, Beers Hagstette & Davidson and a prosecutor in Harris County, Tex., for 15 years.

The other lawyers hired by Fiske are William S. Duffy Jr., a partner in an Atlanta firm who conducted an internal investigation of banking practices at E.F. Hutton; Denis J. McInerney, Julie O'Sullivan and Mark J. Stein, all former federal prosecutors in New York; Patrick Smith, an attorney from Fiske's New York law firm, Davis Polk & Wardwell; and Carl J. Stich Jr., a former Ohio prosecutor who handled savings and loan cases.

Fiske said the legal staff will work with 25 FBI agents and financial analysts.

GRAPHIC: PHOTO, ROBERT B. FISKE JR.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 24, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Trudy Walsh
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 16, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are twenty-eight (28) news articles from Nexis, relating to Madison Guaranty, dated March 15, 1994.

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LEVEL 1 - 1 OF 28 ITEMS

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March 16, 1994 Wednesday, NORTH SPORTS FINAL EDITION

SECTION: NEWS; Pg. 6; ZONE: N

LENGTH: 1018 words

HEADLINE: OUTSIDE D.C., CLINTON FINDS MANY HARDLY CARE ABOUT WHITEWATER

BYLINE: By Mitchell Locin, Tribune Staff Writer. Tribune wires contributed to this report.

DATELINE: NASHUA, N.H.

BODY

Away from Washington, away from the daily pummeling by Republicans, away from the blaring headlines of scandal and disarray, President Clinton hoped fervently that somehow nobody would care much about something called Whitewater.

He hoped, through the use of high-minded rhetoric and appropriate flashes of anger, to steer the national debate away from his problems and toward his programs.

His reception in three states during a three-day swing showed signs that his tactic was working, at least among the Democratic faithful.

Although Whitewater is gradually creeping into broader public consciousness, many still say they want to hear less about that controversial land deal and more about health care and jobs. While polls indicate that about half of Americans believe Clinton did something wrong, they also show people believe Republicans are concerned mainly with scoring partisan points.

On Tuesday, Clinton returned to New Hampshire, the state that helped resurrect his presidential campaign. Voters in the Granite State gave him a second-place finish in the 1992 primary election, prompting him to proclaim himself the "Comeback Kid."

At a traditional New England town meeting in a junior high school gymnasium, Betty Winberg, an advocate for mental health care, declared: "Whitewater is for canoeing and rafting. Shame on those who would detract and distract from the important work you're doing."

Another woman, who described herself as a "recovering Republican," said: "We made you the Comeback Kid a few years ago, and we hope to send a message from this town meeting to Mr. Dole (Republican Senate Minority Leader Bob Dole) and his friends in the media that we're very focused. . . . We're concerned with jobs and health care."

Sounding relieved afterward that the only mention of Whitewater was in words

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of encouragement and that the town meeting participants focused on policy questions, Clinton told reporters: "I'm very happy being here today. This is America. This is where they are."

He faced no orchestrated displays of opposition during his stops, but a smattering of protest signs held up along his motorcade route in New Hampshire included one that read, "Whitewater DOES Matter."

Democratic solidarity also showed some signs of slippage. Rep. Lee Hamilton (D-Ind.), chairman of the House Foreign Affairs Committee, broke with party leaders and suggested that congressional hearings might be the way to get the facts on Whitewater out "quickly and completely."

"I just think there is a perception out there that the White House is still holding back on information," he told Indiana radio stations. "That is the worst perception that can be created."

Clinton said of Hamilton's suggestion, "That's a discussion he ought to have with the special counsel. We have all cooperated."

Democratic congressional leaders say that any hasty congressional hearings could jeopardize special counsel Robert B. Fiske's investigation of the president's Whitewater real estate investment, its relationship to a failed savings and loan, the death of a White House lawyer and any possible administration interference in the case.

Fiske has asked lawmakers to avoid hearings on aspects of the case he's investigating, but also has said he has no objection to congressional inquiry after the Washington phase is finished.

The president's trip began Sunday in Detroit at an international jobs conference and concluded Tuesday afternoon in Ft. Drum, N.Y., at a ceremony welcoming home troops from Somalia.

He started his media counteroffensive in an interview with Knight-Ridder newspapers before departing for Detroit, when he accused the news media of engaging in a "frenzy" that plays into Republican attempts to manipulate the Whitewater story.

On Monday night, after longtime adviser Webster Hubbell resigned as associate attorney general amid a financial dispute with his former law firm, Clinton used a Democratic fundraiser in Boston to launch a rip-roaring attack on Republicans.

Accusing them of engaging in the "politics of destruction," he said he is faced by "an opposition party that just stands up and says, 'No, no, no, no, no, no, no, no, no,' " with each "no" punctuated by striking the lectern.

By Tuesday, Clinton said, "I was not angry," but he wanted "to tell those people how I felt."

Presidential adviser George Stephanopoulos said the outbursts are over for now. "You need a mix ... . Those were Democrats, and it's time to say that there is a lot of bull. They (the Republicans) are trying to create an artificial crisis," Stephanopoulos said.

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House Minority Whip Newt Gingrich (R-Ga.) shot back that the administration was practicing "the politics of self-destruction and the politics of self-deception."

In related developments:

- The land developer at the heart of the Whitewater controversy said Tuesday he plans to exonerate President Clinton "totally and absolutely" of any wrongdoing.

But in an interview with Reuters, developer and failed savings and loan bank operator James McDougal declined to extend that guarantee of vindication to Hillary Rodham Clinton, who he said handled all of the family's finances.

- Clinton administration officials last year rejected a recommendation by a senior regulator to open a Treasury Department investigation into the failed savings and loan association owned by McDougal, government and congressional officials told The New York Times.

At the time another federal agency, the Resolution Trust Corp., had already been investigating the institution, Madison Guaranty Savings & Loan Association.

The decision to reject the request for an investigation by the thrift supervision office is likely to raise new questions in congressional hearings scheduled for next week.

William Fulwider, the spokesman for the Office of Thrift Supervision, declined to discuss the case.

Michelle Smith, a Treasury Department spokeswoman, said: "There was no involvement by Treasury. Treasury would only be involved on policy matters, not specific cases."

GRAPHIC: PHOTO; PHOTO: President Clinton wades into the crowd during a stop Tuesday on Main Street in Keene, N.H. It was in the New Hampshire presidential primary in 1992 that he gained the nickname "Comeback Kid." AP photo.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 2 OF 28 ITEMS

The Associated Press

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March 15, 1994, Tuesday, PM cycle

SECTION: Washington Dateline

LENGTH: 226 words

HEADLINE: Treasury Says Altman Has No Intention of Resigning

DATELINE: WASHINGTON

BODY

Deputy Treasury Secretary Roger Altman, a figure in the Whitewater affair, has no intention of resigning from the Clinton administration, the Treasury Department said today.

Treasury Department spokeswoman Michelle Smith said, "He has not resigned and he has no intention of resigning." She responded to an inquiry that Altman was rumored to be leaving.

Altman is stepping down this month as temporary head of the Resolution Trust Corp. He became embroiled in the Whitewater affair after testifying before Congress that he had discussed with White House officials the RTC's role in investigating the case.

Treasury Undersecretary Lawrence Summers termed the rumors "total fantasy," saying Altman was concentrating on his Treasury duties.

"Roger is doing his job. He is involved in the Japan issue, he is involved in the health care issue. He is in a range of issues. He is providing leadership at Treasury and doing a good job," Summers said in an interview on CNBC.

A federal grand jury resumes its probe today into whether depositors' funds from a failed Arkansas savings and loan, Madison Guaranty, indirectly benefited President Clinton and his wife, Hillary.

The grand jury has subpoenaed White House and Treasury officials about questionable contacts they made with federal regulators for status reports on the Madison investigation.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 3 OF 28 ITEMS

The Associated Press

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March 15, 1994, Tuesday, PM cycle

SECTION: Washington Dateline

LENGTH: 594 words

HEADLINE: Mrs. Clinton: She and President Lost a 'Bunch of Money' on Whitewater

BYLINE: By CHRISTOPHER CONNELL, Associated Press Writer

DATELINE: WASHINGTON

BODY

Hillary Rodham Clinton says there isn't much more to the Whitewater affair than the fact that she and her husband made a bad investment and lost "a bunch of money."

Although in the past the Clintons claimed they took a $ 69,000 loss on the Ozarks land development deal in the late 1970s that flopped, the first lady said Monday they are still trying to figure exactly how much it cost them.

A federal grand jury today resumes its probe into whether depositors' funds from a failed Arkansas savings and loan indirectly benefited the Clintons. The thrift, Madison Guaranty, was owned by James McDougal, the Clintons' co-owner of Whitewater; it went belly up at a cost to taxpayers of $ 47 million.

The grand jury has subpoenaed White House and Treasury officials about questionable contacts they made with federal regulators for status reports on the Madison investigation.

President Clinton, at a Democratic fund-raiser in Boston on Monday, ripped into Republicans for opposing his policies and playing "the politics of personal destruction."

The first lady, on the stump for health reform, said in Denver that Whitewater has not distracted the Clintons from their goal of guaranteeing health care for all Americans. She said it has not hurt "any of our agenda to bring change to this country."

"I've admitted I made mistakes in how I perceived this and handled it," she said. "You live and learn and you go on."

The Clintons' private attorney, David Kendall, told U.S. News & World Report the investigation may show the Clintons owe some extra taxes. The first lady

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told reporters they would "just have to wait" while they gather all the information for special counsel Robert Fiske.

"We know we lost money. We lost a bunch of money for us. We're trying to get exact figures," she said.

"Goodness knows what you all would be saying if we made any money. I'm glad we did lose money," she said.

Rep. Patricia Schroeder, D-Colo., introducing Mrs. Clinton at an earlier health care forum, said Republican senators were trying to "destroy Hillary or destroy anyone around her and stop health care" reform.

Mrs. Clinton, in an Elle magazine interview March 4, said she believed there was "a well organized and well financed attempt to undermine my husband and by extension myself."

She avoided that rhetoric Monday, but stood by her previous remarks.

"When this is all over, it's going to be the same story we've been telling for two years: We made a bad investment, we lost money and there's really not much more to add to it," Mrs. Clinton said.

She said she was "deeply saddened" by the resignation of Webster Hubbell, her former partner in the Rose Law Firm in Little Rock, Ark. Hubbell stepped down Monday from the Justice Department's No. 3 post to deal with an internal probe by the law firm into his billing practices.

The White House counsel, Bernard Nussbaum, has also tendered his resignation in the wake of the Whitewater affair, and Mrs. Clinton's chief of staff and press secretary testified before the grand jury last week.

The first lady, in her first public appearance since those events, got a rousing reception from students at an outdoor rally at the University of Colorado in Boulder. "Give 'em health, Hillary!" one sign exhorted.

But there were reminders there too of Whitewater, including a banner that said, "What Did Vince Foster Know?" - a reference to the White House deputy counsel and family friend who police concluded committed suicide last year - and a plane that towed a sign reading, "Reveal your S&L income."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 4 OF 28 ITEMS

The Associated Press

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March 15, 1994, Tuesday, PM cycle

SECTION: Washington Dateline

LENGTH: 944 words

HEADLINE: Clinton Friend Hubbell Says Resignation Unrelated to Whitewater

BYLINE: By CAROLYN SKORNECK, Associated Press Writer

DATELINE: WASHINGTON

BODY

Webster Hubbell is insisting his resignation as associate attorney general has nothing to do with the Whitewater affair dogging longtime friends Bill and Hillary Rodham Clinton.

Instead, Hubbell says, his position as the Justice Department's No. 3 official was being undermined by controversy over "private issues" involving his previous work for the Rose Law Firm in Little Rock, Ark.

"If it were just me alone, I would stand and take the blows from wherever they came," Hubbell said in a statement Monday. But he decided to resign, he said, because "I believe too much in this country, the president, the attorney general, the Justice Department, my wife and family and my colleagues."

President Clinton said that as a personal friend, he found it "hard to believe" Hubbell was guilty of any wrongdoing, but he said "he made the right decision" to return home to Arkansas to deal with the matters.

Meanwhile a leading House Democrat, disagreeing with his party's congressional leadership, said Whitewater hearings would be in the president's interest.

Rep. Lee Hamilton, D-Ind., chairman of the House Foreign Affairs Committee, told Indiana radio stations Monday: "I just think there is a perception out there that the White House is still holding back on information.

"That is the worst perception that can be created. You've got to move forward with information to overcome that and the only way I know to do that is to get it all out," Hamilton said.

Justice Department attorneys showed their affection and respect for Hubbell Monday afternoon by packing the department's Great Hall for an impromptu gathering.

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"People clapped for 10 minutes straight," said Nancy McFadden, a Hubbell aide who said the get-together was arranged because her office was flooded with calls from career lawyers in the department.

The Rose Law Firm, where Hubbell was a partner with Mrs. Clinton, is investigating allegations of overbilling and insufficient backup for expense requests.

Legal papers show Mrs. Clinton worked with Hubbell on the case in dispute. At least three documents in the case file in Little Rock show Mrs. Clinton, Hubbell and Amy Lee Stewart, another Rose attorney, represented P.O.M., Inc., a parking-meter company owned by Hubbell's in-laws. Mrs. Clinton's particiaption was first reported in today's New York Post.

The firm's work regarding the failed Madison Guaranty Savings & Loan, whose owner James McDougal was a partner with the Clintons in the Whitewater Development Corp., also has prompted official scrutiny.

House Republican Whip Newt Gingrich of Georgia, renewing a call for congressional hearings into the Whitewater affair, said he was disturbed that Attorney General Janet Reno said Hubbell was leaving to tend to what she called "old, private disputes."

"Issues about whether the federal government was overbilled, issues about how the Rose Law Firm handled savings and loan legal affairs for the federal government, these kind of issues are not private matters," Gingrich said.

But Hubbell said in his statement, "These private issues have nothing to do with Whitewater, Madison Guaranty, the McDougals or the president and first lady."

He said his 20-year friendship with the Clintons "has been a never-ending source of pride and sustenance. Their support of me has been unfailing."

Hubbell was the second high-ranking Clinton official to resign in just over a week. White House Counsel Bernard Nussbaum quit under fire March 5 after revelations of White House briefings with federal regulators investigating Madison.

Hubbell's resignation also comes just one month after Philip Heymann departed as deputy attorney general, the department's No. 2 official, citing management and style differences with Reno.

Reno said Hubbell's departure after nine months on the job would be a loss for the department. "I don't believe he did a thing wrong," she told reporters.

In his statement, Hubbell, a former Little Rock mayor, called his tenure at Justice the highlight of his professional career, but he lamented that "private issues" involving his Rose firm billings were "elevated to public speculation."

"After a thoughtful weekend, I believe that my continued service will not be as effective as it has been, that the distractions on me ... will interfere with my service to the country and the president's agenda and that my family ... is

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being harmed," he said.

A federal official who reviewed the billings in a Madison cleanup case supervised by Hubbell told The Associated Press that the government appeared to have paid the Rose firm twice for the same work amounting to nearly $ 30,000.

The official said the Rose firm submitted a $ 2,400 charge twice and a $ 27,000 charge twice. The charges were part of a total billing of $ 400,000 in the case, which involved an accounting firm sued by the FDIC.

"The records show those (smaller) bills being paid" before the amounts were resubmitted, said the official, speaking on condition of anonymity. "The only other possibility is that this is a billing error."

Ron Clark, the firm's managing partner, did not return four telephone calls since last week seeking comment.

Last fall, Hubbell removed himself from the department's investigation of Whitewater and Madison, which was taken over earlier this year by special counsel Robert Fiske.

Hubbell's legal work in the Madison cleanup case has been questioned in at least two areas: the firm's work for Madison before its failure and dealings Hubbell's father-in-law, Seth Ward, had with the S&L.

Ward was an officer in Madison's real estate subsidiary and had extensive financial dealings with the S&L.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 5 OF 28 ITEMS

The Associated Press

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March 15, 1994, Tuesday, PM cycle

SECTION: Domestic News

LENGTH: 568 words

HEADLINE: Whitewater Is Political Persecution, Ex-Partner of Clintons Says

BYLINE: By JOEL WILLIAMS, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

Whitewater is nothing but dirty politics, says Susan McDougal, a former co-owner with President and Mrs. Clinton in the Arkansas real estate venture that is haunting the Clinton administration.

She says Republicans brought back to life old allegations of wrongdoing at her ex-husband's failed savings and loan after Clinton's election as president.

It should have died in 1990, she said, when a jury acquitted her ex-husband, James McDougal, and two of her brothers on charges of bank fraud at McDougal's Madison Guaranty S&L, several years after they came under federal investigation.

"We have suffered enough," Ms. McDougal said Monday at her first news conference on the Whitewater investigation. "This can only be judged persecution after eight years. I want it to stop."

She said her business records were thoroughly examined by federal investigators years ago, and she was never charged with anything.

As for the charges against her husband and brothers, "Republicans ... who persecuted us were wrong and a jury told them so," Ms. McDougal said.

The investigation was over and "it stayed over until Bill Clinton was elected president. Now, because of that, it has started again, and that is wrong," she concluded.

An investigation by special Whitewater counsel Robert Fiske Jr. reaches far beyond the land transactions south of Little Rock on which prosecutors based charges for the 1990 trial.

The McDougals and Clintons were 50-50 partners from 1978-1992 in Whitewater, a project to develop rural real estate in the Ozarks north of Little Rock. The

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Whitewater project is at the heart of Fiske's criminal investigation of whether depositors' money from McDougal-owned Madison Guaranty benefited the Clintons or other prominent Arkansans.

Fiske also is looking at an allegation by former Municipal Judge David Hale that Clinton, while governor, pressured Hale into making a $ 300,000 Small Business Administration-backed loan to Ms. McDougal through an SBA lending company that Hale owned. Fiske's investigators also are examining the death last July of Deputy White House Counsel Vincent Foster, which police say was a suicide.

Ms. McDougal and her lawyer, Bobby McDaniel, declined to answer questions about specific transactions in which she or the Clintons may have been involved. McDaniel answered reporters' questions for Ms. McDougal after she read a statement.

McDaniel also declined to characterize the Clintons' role in Whitewater. He said his client delivered all her Whitewater records to the Arkansas Governor's Mansion in 1991 at Bill Clinton's request, and hasn't gotten them back.

"She does not want to respond to any question concerning what the Clintons did, or did not know, what they did or did not do, or what they should or should not have done," McDaniel said. "She feels that to respond to those questions would only embroil her more into this controversy and she wants to be involved in it less."

"She wants to be left alone," he said.

In California, Ms. McDougal is charged with embezzling $ 200,000 from conductor Zubin Mehta while she worked as his personal bookkeeper after leaving Arkansas.

The federal government closed Madison Guaranty in 1989 at a cost to taxpayers of at least $ 47 million.

Ms. McDougal still owns 25 percent of the Whitewater Development Corp. James McDougal owns the rest, after having bought out the Clintons' half in 1992.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 6 OF 28 ITEMS

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March 15, 1994, Tuesday, 2 STAR Edition

SECTION: A; Pg. 1

LENGTH: 841 words

HEADLINE: Clinton friend resigns No. 3 Justice post;
Webster Hubbell questioned over Arkansas law firm work

BYLINE: WILLIAM E. CLAYTON JR., Houston Chronicle Washington Bureau, GREG McDONALD; Staff

DATELINE: WASHINGTON

BODY

WASHINGTON -- Associate Attorney General Webster L. Hubbell, a presidential confidant embroiled in a dispute with his former law firm over expenses and billings, resigned Monday.

President Clinton said in a letter to Hubbell that he accepted the resignation ""with profound sadness and regret. ''

Hubbell, the No. 3 official in the Justice Department and a former law partner of the president's wife, Hillary Rodham Clinton, said he did not want his differences with the Rose firm in Little Rock to detract from Clinton's agenda in the White House.

He will step out ""as soon as possible,'' he said, and will help Attorney General Janet Reno ""accomplish a smooth transition'' to fill the vacancy.

Coming amid the flurry of questions about White House handling of the Whitewater controversy, Hubbell's stepping down was geared to take at least one investigation out of the picture.

""It is unfortunate that private issues between me and my firm have been cast, by some, as being part of a broad political net called Whitewater,'' Hubbell said in a statement. ""These private issues have nothing to do with Whitewater, Madison Guaranty . . . or the president and first lady,'' Hubbell said.

Special prosecutor Robert Fiske is investigating the Clintons' ties to the failed Whitewater real estate development and Madison Guaranty Savings and Loan, which was run by James McDougal, the Clintons' partner in the real estate venture.

The Associated Press has reported that a federal official who has reviewed billing records says the Rose firm appears to have billed the government more than once for work done in connection

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with an investigation of Madison Guaranty.
Hubbell told the president in his resignation letter that he had been determined to evaluate constantly whether his work in the Justice Department ""furthers or distracts from your agenda. ''

He did such an evaluation over the past weekend, Hubbell said, and decided it was time to step down.

Hubbell said that in addition to detracting from Clinton's presidential agenda, the ""private issues between me and my family and my former law firm'' were harming his family.

Arriving in Boston for a Democratic Party fund-raiser, Clinton said he thought Hubbell had made the right decision. The president left the door open for his close friend and frequent golfing partner to return to service in his administration if vindicated.

""I do think, based on what I understand the facts to be, he made the right decision,'' Clinton told reporters. ""I hope it'll work out so he can come back. ''

Clinton praised Hubbell's service at the Justice Department.

""He's one of the most widely esteemed people that I've ever known,'' the president said. ""So I think that we just have to take him at his word, give him a chance to go home and deal with this, and see what happens. ''

A senior White House official traveling with the president said Clinton learned Monday during a telephone conversation with White House Chief of Staff Thomas F. ""Mack'' McLarty that Hubbell had decided to resign.

The official said Hubbell did not telephone Clinton personally about his troubles because ""he didn't want to involve the president. ''
A grim-faced Reno, announcing the Hubbell resignation to reporters at the Justice Department, was effusive in her praise.

""There are no words capable of fully conveying to you my deep respect and admiration for Webb Hubbell or how sad this event makes me,'' Reno said.

She called his differences with the Rose firm ""old, private disputes'' and said that Hubbell characteristically felt he could not give full attention both to the dispute and to his job at the Justice Department.

The Wall Street Journal reported Monday that Hubbell had represented a company owned by his brother-in-law, Seth Ward, in a patent infringement lawsuit that the company lost. His fee arrangement meant Ward did not have to pay attorneys' fees and expenses if the company lost, the newspaper said, quoting sources

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as estimating the cost to the Rose firm at $ 500,000 with another $ 500,000 in dispute.

Critics of the Clintons saw the Hubbell resignation as an integral part of questions raised about Hillary Clinton's work with the Rose firm and the Whitewater matter.

""The stench in Little Rock . . . is certainly tainting the Justice Department,'' said Sen. Alfonse D'Amato, R-N.Y

Hubbell said that after he gives ""sufficient time and energy now to my family and other personal matters,'' he would like to get back into public service.

He said he had been determined to ""stand and take the blows from wherever they came,'' but upon reflection, decided to resign because the disputes around him threatened to affect his family and the administration.

His resignation came a little more than a week after White House counsel Bernard Nussbaum quit over his handling of meetings between Treasury officials and White House staffers to discuss the Treasury probe of Madison Guaranty.

GRAPHIC: Mug: Webster L. Hubbell (color)

LANGUAGE: ENGLISH

NOTES: Chronicle reporter Greg McDonald contributed to this report.

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 7 OF 28 ITEMS

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March 15, 1994, Tuesday, 3 STAR Edition

SECTION: A; Pg. 1

LENGTH: 818 words

HEADLINE: Clinton friend resigns No. 3 Justice post;
Webster Hubbell questioned over Arkansas law firm work

BYLINE: WILLIAM E. CLAYTON JR., Houston Chronicle Washington Bureau, GREG McDONALD; Staff

DATELINE: WASHINGTON

BODY

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""He's one of the most widely esteemed people that I've ever known,'' the president said. ""So I think that we just have to take him at his word, give him a chance to go home and deal with this, and see what happens. ''

Clinton telephoned Hubbell from Boston ""to buck him up,'' a Clinton aide said.

A senior White House official traveling with the president said Clinton learned Monday during a telephone conversation with White House Chief of Staff Thomas F. ""Mack'' McLarty that Hubbell had decided to resign.

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She called his differences with the Rose firm ""old, private disputes'' and said that Hubbell characteristically felt he could not give full attention both to the dispute and to his job at the Justice Department.

Reno praised Hubbell for beefing up the civil rights division of the Justice Department and for working to give ""the poor as well as the rich access to our legal system. ''

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GRAPHIC: Mug: Webster L. Hubbell (color)

LANGUAGE: ENGLISH

NOTES: Chronicle reporter Greg McDonald contributed to this story.

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 8 OF 28 ITEMS

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March 15, 1994, Tuesday, 2 STAR Edition

SECTION: A; Pg. 8

LENGTH: 864 words

HEADLINE: Bentsen stays above the fray;
Treasury secretary displays knack for political survival

BYLINE: NANCY MATHIS, Houston Chronicle Washington Bureau; Staff

DATELINE: WASHINGTON

BODY

WASHINGTON -- Controversy and intrigue batter the White House and swirl around the Treasury Department but Lloyd Bentsen stands tall without a mussed hair on his graying patrician head.

The Treasury secretary and former senator from Texas, now 73, once again displays his knack for avoiding political storms even when they envelop his own agency.

President Clinton and first lady Hillary Rodham Clinton struggle to keep their heads above Whitewater, the failed Arkansas land project. Four Treasury Department staffers, including a former official who was closest to Bentsen, are under subpoena for questionable meetings with six White House staff members.

The Resolution Trust Corp., an agency under Bentsen's shop, sparked the episode by making a criminal referral to the Justice Department, suggesting that the Clintons could have benefited from misspent funds by a failed thrift.

Nary a finger has been pointed at Bentsen.

""You can't survive South Texas politics for nearly 50 years without a pretty good nose,'' said John C. White, a Texan and former Democratic Party chief. ""Politics is a game of sensitivities, antennae and smell, and he's got them all. ''

""He's been around this city for a long time,'' said Stephen Hess, a Brookings Institution expert on presidents. ""He knows what's coming around corners and I think that's very important.

Maybe if we had more Lloyd Bentsens, there would be less problems in this administration. ''

But he also is, as one Democratic aide called him, ""the invisible man,'' disappearing from public view when controversy

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breaks.

""It's that cautioun nature of his,'' said another Democratic staffer. ""How many times when he was in the Senate did he get out front on an issue? Almost never, unless he was bulletproof on it. ''

When Bentsen's close aide, longtime spokesman Jack DeVore, and others were subpoenaed by Whitewater special counsel Robert Fiske, Bentsen issued a statement distancing himself. He said he had no prior knowledge of the meetings with White House officials and called for an internal ethics investigation.

Roger Altman, the deputy Treasury secretary and acting RTC director, gave White House officials a ""heads up'' about the RTC's investigation into Madison Guaranty Savings and Loan, which had ties to the president and his wife.

Bentsen has declined to answer further questions from the media or Republicans in Congress about the issue. He has refused even to reconfirm his original statement.

Long the quiet diplomat in the Senate, where he served as chairman of the tax-writing Finance Committee, Bentsen gave up his congressional career in January 1993 as President Clinton took office.

His acceptance of the Treasury post was seen as a fitting cap to his distinguished career, one that would make him the nation's chief economic spokesman and give him an international stage. But the sniping by White House youngsters began before Bentsen took office.

""He'll play to history,'' one Clinton adviser told Time magazine in December 1992, suggesting that they would soothe Bentsen's ego by naming a policy initiative after him. ""We'll call it the "Bentsen Plan' or something. ''

Early last year, Bentsen was rumored to be frustrated with his job and on the verge of leaving. The White House ignored his warnings about a controversial economic stimulus package and tried to pass it without compromise, failing on the president's first major legislative initiative in Congress.

Altman, a Clinton friend assigned as Bentsen's deputy but largely thought of as Bentsen's potential successor, took the out-front role in getting the administration's budget plan passed.

""I think he (Bentsen) had a right to believe he would be the chief economic spokesman for the administration. That is traditionally the role of the secretary of Treasury,'' Hess said.

""There are a lot of aggressive people who always seem to be standing in line in front of him. ''

Hess added, ""I think he had lent his reputation and indeed

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his dignity to an administration that was young and inexperienced and didn't know the ways of Washington and I'm guessing he had a right to feel he wasn't treated with as much honor as he deserved. ''

Then there was the Bureau of Alcohol, Tobacco and Firearms raid on the Branch Davidian compound near Waco last year. Four agents were killed and 16 injured in the botched attempt to arrest cult leader David Koresh.

Bentsen was out of the country during the raid but months later publicly read a statement condemning ATF's handling of it and firing its director. There was no backlash on Bentsen.

In the meantime, his closest aides were scattered. One quit, another was reassigned and a third, DeVore, retired from federal service and became a political consultant in Austin late last year.

There is speculation that Bentsen will retire after the November elections.

""I always felt he would stay about two years and that's as far as you can guess with Cabinet officers,'' White said.

A better guessing game may be how much longer Bentsen will remain the Teflon man in the administration.

GRAPHIC: Mug: Lloyd Bentsen

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 9 OF 28 ITEMS

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March 15, 1994, Tuesday, 2 STAR Edition

SECTION: A; Pg. 8

LENGTH: 705 words

HEADLINE: Clinton seeks world unity for jobs;
President warns against protectionists

BYLINE: GREG McDONALD; Staff

DATELINE: DETROIT

BODY

DETROIT -- President Clinton called on the nation's major trading partners Monday to unite behind the common goal of solving the worldwide problems of chronic unemployment and low wages.

Addressing the labor and economic ministers of the seven leading industrialized countries, Clinton warned against the protectionist leanings of some, such as Japan, saying that no nation could sustain economic success for long without open world markets.

""Every advanced economy is now facing . . . a choice between hope and fear, between stagnation and change, between closing up and opening up,'' the president said as he opened a two-day ""jobs conference'' here among the so-called Group of Seven major industrialized nations.

""If any of us fails to convince our people to embrace change, then that nation might well retreat from the global economy,'' he said. ""That could set off a downward spiral of protectionism and lower growth and turning backward, which could affect us all. ''
Clinton urged the G-7 nations to find ways to address not only the high unemployment rates in Europe, but the problem of stagnant wages worldwide.

Citing the creation of 2.1 million jobs in America during his 13-month-old presidency, Clinton claimed that his administration's emphasis on more open markets and worker retraining programs had helped lower the U.S. unemployment rate.

But he acknowledged that many of the new jobs were low-paying, unskilled positions that probably won't last as the global economy expands and becomes more competitive.

He said the challenge now for the United States and its

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economic allies is to give their citizens the necessary skills to compete in the world economy and to live productive lives.

""The growing gap in incomes between skilled and unskilled threatens not only the strength of our economies . . . but also the very fabric of our democratic societies,'' the president said to polite applause.

""All of us must face these fundamental challenges -- to find new ways to equip people to succeed, harnessing the dynamism of the marketplace, and somehow finding a way to bring those forces into the areas where people have been left behind,'' Clinton added.

The president said the United States would do its part in trying to improve global economic growth by continuing strong deficit-reduction measures.

But he also called on Europe and Japan to take more steps to end the worldwide recession by stimulating the demand for foreign goods in their countries.

Clinton's remarks opened the two-day conference, which he called for at last summer's G-7 economic summit in Tokyo.

He said he hoped it would set the stage for a freewheeling discussion of the worldwide jobs problem among the labor and economic ministers gathered here from the United States, Britain, Japan, France, Canada, Germany and Italy.

The jobs conference was Clinton's first stop on a three-day trip that White House officials hoped would give him some breathing space from persistent questions about the Whitewater affair.

However, a federal grand jury investigating the connections between the money-losing land investment deal by the Clintons and the failure of Madison Guaranty, an Arkansas savings and loan, was expected to continue taking testimony this week in Washington.

Testimony was expected from White House and Treasury Department officials who attended a series of questionable meetings on the matter.

Clinton senior adviser Bruce Lindsey, who has been subpoenaed to testify, said his appearance before the grand jury had been postponed. ""They had more (witnesses) than they could handle on any one day,'' he said.

Asked about the mood of the six White House officials who have been subpoenaed to testify, Lindsey said: "Nobody takes going to a grand jury lightly. ''

After leaving Detroit, Clinton was scheduled to address a national Democratic Party fund-raiser in Boston and then spend the night in Nashua, N.H., where he planned to hold a town hall meeting on his proposals to create more jobs.

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Before returning to Washington tonight, he also planned to visit Fort Drum, N.Y., to meet with U.S. soldiers returning from duty in Somalia.

GRAPHIC: Photo: President Clinton puts his arm around Focus Hope student Donald Hutchison during a visit to the Detroit job-training school; Associated Press

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 10 OF 28 ITEMS

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March 15, 1994, Tuesday, 3 STAR Edition

SECTION: A; Pg. 8

LENGTH: 847 words

HEADLINE: "The politics of personal destruction';
Clinton blisters GOP for partisanship

BYLINE: GREG McDONALD; Staff

DATELINE: BOSTON

BODY

BOSTON -- President Clinton launched a blistering counterattack on Republicans Monday night, accusing them of turning their backs on the country's problems in their zeal to destroy his presidency by exploiting the Whitewater affair.

""I never did them the way they are doing us in Washington, D.C., today. It is wrong, and it is not good for the United States of America,'' Clinton said at a huge Democratic Party fund-raiser here designed to help him resurrect his image in the wake of a special federal investigation into the Whitewater land development venture and its ties to a failed Arkansas thrift.

Clinton, increasingly agitated by Republican calls for congressional hearings on the matter, fired back as he sought to portray the Whitewater affair as little more than a tiny blip on the political screen. He accused the Republican Party of engaging in a vicious political assault -- not only on him but first lady Hillary Rodham Clinton as well -- and he angrily challenged the GOP to a ""great debate'' on health care reform and other issues.

""I thought when I ran for president we would have a great debate on the problems facing this country But the Republican Party is dedicated to the politics of personal destruction,'' Clinton declared, painting the Republican criticism of the Whitewater affair as virtually unprecedented in American politics.

""There are profound problems. They beg for debate Why, then, are we confronted in this administration with an opposition party that just stands up and says, "No, No, No, No, No, No, No, No, No? ' '' the president asked, as he pounded the podium and the crowd of more than 1,000 gave him a standing ovation.

Clinton's remarks at the fund-raising dinner, which raised more than $ 1 million for the Democratic National Committee, fit in with the new White House strategy aimed at limiting the damage of

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the continuing Whitewater controversy by dismissing it as little more than partisan politics while emphasizing the high points of Clinton's first year in office.

The party fund-raising venue allowed Clinton to return to his comfortable mode of scrappy campaigner, a role he embraced here as if he were about to announce his 1996 campaign for re-election.

""Damn the torpedoes. Full speed ahead,'' one senior White House official yelled above the roar as Clinton wrapped up his speech and then stood with the Boston Democrats to watch a rainfall of red, white and blue confetti and balloons descend from the hotel ballroom ceiling.

The Democrats and the president were also treated to a hastily arranged video presentation highlighting some of his major speeches and the historical moment when he stood between the leaders of Israel and the Palestinian people at the White House and urged them to seal their peace treaty with a handshake.

In his remarks, Clinton never mentioned the Whitewater affair by name. But he alluded repeatedly to the GOP attacks questioning his integrity on the matter and said he would rely on the ""common sense of the American people'' to determine ""who is right and who is wrong. ''

""In the contest between truth and falsehood, truth will win out,'' he said.

Clinton's angry remarks surprised some of his aides because he had sought earlier in the day to put aside the Whitewater controversy to focus on economic issues. During a speech in Detroit, he called on the nation's major trading partners to unite behind the common goal of solving the worldwide problem of chronic unemployment and low wages.

Clinton's Detroit remarks opened a two-day international jobs conference, which he had called for at last summer's economic summit in Tokyo. He said he hoped it would set the stage for a freewheeling discussion of the worldwide jobs problem among the labor and economic ministers gathered here from the United States, Britain, Japan, France, Canada, Germany and Italy.

The jobs conference was Clinton's first stop on a three-day trip that White House officials hoped would give him some breathing space away from persistent questions about the Whitewater affair.

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Asked about the mood of the six White House officials who have been subpoenaed to testify, Lindsey said: "Nobody takes going to a grand jury lightly. ''

After leaving Boston, Clinton traveled by motorcade to Nashua, N.H., where he planned to hold a town hall meeting today on his proposals to create more jobs.

Before returning to Washington tonight, he also planned to visit Fort Drum, N.Y., to meet with U.S. soldiers returning from duty in Somalia.

GRAPHIC: Photo: Clinton shakes hands after speaking in Boston on Monday night; Associated Press

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 11 OF 28 ITEMS

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March 15, 1994, Tuesday, 2 STAR Edition

SECTION: B; Editorials; Pg. 10

LENGTH: 363 words

HEADLINE: TROUBLE MOUNTS;
Whitewater close to out of control for the Clintons

BYLINE: Staff

BODY

Whether fair or not -- that is arguable -- the abrupt resignation of Associate Attorney General Webster Hubbell is going to register in the public mind as one more large escalation of the Whitewater affair that threatens to engulf President and Mrs. Clinton.

Hubbell resigned Monday because of the investigation of allegations of overbilling of clients, including the federal government, while he was a partner of the Rose Law Firm in Little Rock. Rose is the prominent and politically connected Arkansas law firm from whence came Hillary Rodham Clinton, Hubbell and Vincent Foster, the White House deputy counsel who committed suicide. All were partners.

The Rose firm has become almost synonymous with the Whitewater/ Madison Guaranty affair. The firm -- Hillary Clinton herself -- represented Madison Guaranty Savings and Loan in one matter before state regulators, raising questions about possible conflict of interest. The firm represented the federal government in cleanup work at Madison Guaranty after the thrift failed.

The Resolution Trust Corp. is reviewing all its billings from the considerable savings and loan cleanup work the Rose firm did.

The special Whitewater prosecutor, Robert Fiske, is probing allegations of document shredding at the Rose firm shortly after Fiske was appointed.

Things have gotten to the point where Newsweek magazine is saying that the Rose firm ""is looking more like a real-life version (minus the mob ties and mayhem)'' of the fictional Memphis law firm that was the basis of the Tom Cruise movie The Firm.

Add it all up and Hubbell's resignation, in one quick act, undercuts a whole weekend of White House damage control attempts, with new counsel Lloyd Cutler keeping the faith on all three Sunday network television interview shows and with Hillary Clinton ending

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her silence and defending the faith with two newsmagazine interviews.

Whitewater is close to spinning totally out of control for the Clintons. Hard as it may be for them to acknowledge it, their best course at the moment is to themselves ask for the public congressional probe they and the Democrats are resisting.

LANGUAGE: ENGLISH

TYPE: Editorial Opinion

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 12 OF 28 ITEMS

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Los Angeles Times

March 15, 1994, Tuesday, Home Edition

SECTION: Part A; Page 1; Column 4; National Desk

LENGTH: 1684 words

HEADLINE: HUBBELL QUITS; TOP JUSTICE AIDE, CLINTON FRIEND

BYLINE: By JOHN M. BRODER and RONALD J. OSTROW, TIMES STAFF WRITERS

DATELINE: WASHINGTON

BODY

Webster Hubbell, the third-ranking Justice Department official and a close friend of President Clinton and Hillary Rodham Clinton, resigned Monday amid allegations that he cost his former Little Rock law firm as much as $1 million in unbilled time and questionable expenses.

Hubbell said in a statement that an investigation into his billing practices by his former partners at Little Rock's Rose Law Firm had become a burdensome distraction and that he did not want to do further damage to the Administration by remaining in office.

The departure of Hubbell leaves a gaping hole at Justice, which has not yet filled the spot vacated by the departure last month of the department's second-ranking official, Deputy Atty. Gen. Philip B. Heymann, who quit in a personality clash with Atty. Gen. Janet Reno.

The Hubbell resignation also intensifies the growing cost to the Clintons of the Whitewater controversy, and it leaves an impression of an Administration in disarray.

"It could not have come at a worse time for him and for the Administration," said a senior White House adviser.

Hubbell described the matters under dispute with his former firm as "private issues" relating to "compensation and reimbursement" that have nothing to do with Whitewater or the President and First Lady.

"I am confident that at the conclusion of these discussions all outstanding matters will be resolved satisfactorily," Hubbell said.

The Rose firm internal investigation "came to a very acute head" over the last several days, according to knowledgeable sources. Hubbell's former partners confronted him with how much money they believed he owed them and said that they could not settle the matter amicably, the sources said.

Hubbell decided Sunday to resign, knowing that the dispute with Rose would spill over into the public arena, embarrass the Clintons and limit his

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effectiveness at Justice, a senior White House official said. "He did the honorable thing," the aide said. "He didn't want to ensnare the President and the First Lady."

Numerous calls to attorneys at the Rose firm went unanswered Monday. The firm's outside counsel, Walter B. Stuart of the Houston firm, Vinson & Elkins, did not return calls seeking comment.

Hubbell, Mrs. Clinton and the late Deputy White House Counsel Vincent Foster, who apparently committed suicide last July, all were senior partners and close friends at Rose before coming to Washington with Clinton's inauguration.

Hubbell's resignation followed the forced resignation of White House Counsel Bernard Nussbaum on March 5. Nussbaum quit after disclosures that he had met with federal regulators looking into the Clintons' role in the Whitewater case. Nussbaum, too, was a close friend of the First Lady's, having worked with her 20 years ago on the House Judiciary Committee considering the impeachment of former President Richard Nixon.

Special counsel Robert B. Fiske Jr. is looking into allegations that the President may have benefited improperly from his association with James B. McDougal, owner of the failed Madison Guaranty Savings & Loan and partner with the Clintons in an Ozark real estate development firm known as Whitewater Development Corp. The inquiry also encompasses the role played by Mrs. Clinton and her firm in representing Whitewater and Madison Guaranty.

In his letter of resignation to the President, Hubbell wrote that dealing with "public speculation about me and my former law firm" would consume increasing amounts of his time and would limit his effectiveness in office.

Arriving in Boston for a political appearance, Clinton told reporters that Hubbell made "the right decision."

And while he praised Hubbell as a "good personal friend" and a lawyer who is "widely esteemed" by those who know him, Clinton appeared to leave himself considerable maneuvering room in case the facts prove otherwise. "I haven't talked to him since this whole issue came up," Clinton said. He repeated several times that he had "no knowledge of the facts."

Hubbell "strongly feels that he will be vindicated but it will take some time for him to do it and that he shouldn't be working at a public job while he's doing that," Clinton said. "I think he's right."

The Rose firm has been investigating Hubbell's billing practices since last year, when it discovered what it considered discrepancies in the hourly billings and expense accounts of the former senior partner. The internal review heated up last month when the monetary scale of the dispute became clear and when Fiske announced that he would investigate a broad range of activities at the Rose firm when Hubbell, Foster and Mrs. Clinton were essentially in charge.

The matters under scrutiny internally at Rose involved the business interests of Hubbell's father-in-law and brother-in-law, Seth Ward Sr. and Seth Ward Jr., as well as Hubbell's work for federal bank regulatory agencies, the Federal Deposit Insurance Corp. and the Resolution Trust Corp. The firm is trying to

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determine whether Hubbell properly accounted for personal expenses paid out of firm funds and whether there was any impropriety involved in litigation costs borne by the firm in matters Hubbell handled.

Hubbell took on an unsuccessful copyright infringement suit that a parking meter manufacturing company owned by the Wards filed against a competitor, according to White House and Justice Department sources. Hubbell assumed the case on a contingency basis, an unusual arrangement for a large corporate law firm, meaning that if he lost the case his firm would bear the expenses of the litigation.

Hubbell lost the case but did not reveal the contingency fee deal to his partners until after he joined the Administration, the sources said. As a result, Rose will get none of the $500,000 it would have received from the Wards if it had been able to bill on an hourly basis.

What's more, the firm was stuck with as much as $500,000 in additional costs related to the case, including fees paid to expert witnesses, outside copyright specialists, travel, copying and various other expenses generated during what was a major lawsuit, the sources said.

Also, the RTC is conducting a full-scale audit of more than $1.2 million billed to the agency by the Rose firm since 1989 to see whether the charges were justified. Hubbell solicited the regulatory business and supervised many of the 22 bank cases handled by the firm, including one against the former auditors of Madison Guaranty Savings & Loan.

"After a thoughtful weekend, I believe that my continued service will not be as effective as it has been; that the distractions on me at this time will interfere with my service to the country and the President's agenda; and that my family, although totally supportive, is being harmed," Hubbell said in a statement released by the Justice Department. Hubbell and his wife, Suzanna, have four children ranging in age from 12 to 21.

"It is also unfortunate that private issues between me and my firm have been cast, by some, as being part of a broad political net called Whitewater," he added. "These private issues have nothing to do with Whitewater, Madison Guaranty, the McDougals or the President and First Lady."

Hubbell's dispute with Rose is only tangentially related to Whitewater, a Justice Department official contended, though it was Whitewater and the presence of reporters looking into it in Little Rock that prompted dissidents at the law firm to make their move against their former colleague, according to a source close to Hubbell.

"In the current climate, some members of the firm reached back to prior cases and in the course of that there were some isolated matters involving the Resolution Trust Corp. that they queried Webb about," the source said.

"Even though the dispute has nothing to do with Whitewater, it's Whitewater that created the climate, that gave the dissidents in the firm the opportunity to go after Hubbell, and preoccupation with Whitewater increases the pressure on Hubbell to get this dispute off the government's back," a source close to Hubbell said.

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Another source said that Hubbell had asked the firm to conciliate the matter, but the firm refused.

Hubbell was the first Clinton Administration official to join the Justice Department at the very beginning of Clinton's term and ran the department for weeks while the White House stumbled through the process of naming an attorney general.

Hubbell had broad responsibilities as the No. 3 official. He oversaw the Immigration and Naturalization Service and the Civil Rights, Environment and Natural Resources, Civil, Antitrust and Tax divisions. He also was responsible for the Office of Legislative Affairs, the Bureau of Prisons, the Community Relations Service and the Office of Legal Counsel, which serves as the attorney general's legal adviser.

The official said that Hubbell met Sunday with friends, including Mickey Kantor, who is U.S. trade representative, to review the dispute and what to do about it. Hubbell apparently decided after Sunday's session to quit but wanted to keep at arm's length from the President and First Lady.

Kantor on Sunday informed White House Chief of Staff Thomas (Mack) McLarty, who told the President of Hubbell's impending action. Hubbell called Mrs. Clinton on Monday to tell her of his decision, aides said.

In Denver, Mrs. Clinton said of Hubbell: "Personally, as a friend, I am thinking a lot about him and his family and wishing him well."

In a brief press appearance in mid-afternoon to announce Hubbell's resignation, Reno said: "There are no words capable of fully conveying to you my deep respect and admiration for Webb Hubbell or how sad this event makes me. He has been a tireless crusader for doing justice, for doing the right thing."

There is no list of potential replacements for Hubbell, a Justice Department official said, noting that Hubbell could remain on the job for as long as 30 days.

Times staff writers Robert L. Jackson and David Lauter in Washington and special correspondent Kristina Lindgren in Denver contributed to this story.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 16, 1994

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LEVEL 1 - 13 OF 28 ITEMS

Copyright 1994 The Times Mirror Company
Los Angeles Times

March 15, 1994, Tuesday, Home Edition

SECTION: Part A; Page 20; Column 1; National Desk

LENGTH: 746 words

HEADLINE: WHITEWATER 'MYSTERY WOMAN' LEAVES MUCH UNANSWERED;
INQUIRY: FORMER REAL ESTATE PARTNER OF CLINTONS, SUSAN MCDOUGAL, DECLARES INNOCENCE, ACCUSES GOP OF PERSECUTION. SHE DOESN'T DISCUSS PIVOTAL LOANS.

BYLINE: By WILLIAM C. REMPEL, TIMES STAFF WRITER

DATELINE: LITTLE ROCK, Ark.,

BODY

Susan McDougal, the former real estate partner of then-Gov. Bill Clinton and his wife, Monday broke the long silence that has made her the "mystery woman of Whitewater." But in a sometimes emotional press conference, she shed little light on that mystery.

Refusing to answer questions about the critical transactions that have plunged the White House into controversy, McDougal instead declared her innocence and accused the Republicans of persecuting her and her former husband, Madison Guaranty Savings & Loan executive James B. McDougal.

"I know that Jim McDougal did not ever knowingly violate any laws -- and neither have I," she said, her voice quivering at times as she read a brief statement from handwritten notes.

Left unanswered, despite repeated questions from reporters, was whether Clinton played a role in helping her obtain a $300,000 loan in 1986 from the Small Business Administration-backed investment fund of former judge David Hale.

Hale, who goes to trial on federal fraud charges later this month, has said that he made the loan, intended for minority and disadvantaged borrowers, at the specific request of the governor. James McDougal and the White House have denied that Clinton played such a role.

Also unanswered was why she borrowed the money and what she did with it. James McDougal has acknowledged spending about $110,000 of the Hale loan to purchase land in the name of Whitewater Development Corp., the Clinton-McDougal partnership that in 1978 bought 230 acres of raw land on the White River to develop an Ozark Mountain resort.

Through her attorney, Bobby McDaniel of Jonesboro, Susan McDougal said that she would not discuss those transactions or answer any questions about the Clintons who, the attorney said, she regards as her friends.

In her own statement, read as she clutched a white tissue and fought back

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tears, McDougal blamed Clinton's political critics for resurrecting investigative attention on the now-defunct Madison Guaranty Saving & Loan in which she and her former husband were the major stockholders.

"We have suffered enough," she declared. "This can only be judged persecution. . . . I want it to stop."

In 1989, three years after the McDougals were forced out of the S&L by federal regulators, James McDougal and two of Susan McDougal's brothers were indicted on multiple federal counts of fraud. All three were acquitted after a brief trial.

On Monday she said that the jury verdict should have ended the controversy, but that Clinton's election had renewed it.

"That is wrong," she said. Then, stepping from the podium, she turned the press conference over to McDaniel, who spent the next 45 minutes deflecting questions about the controversial transactions.

McDaniel did acknowledge that he had met once with Special Counsel Robert B. Fiske Jr. to offer assurances of future cooperation but not to negotiate immunity from prosecution, as has been reported by some media outlets.

While pledging that Susan McDougal would cooperate fully with Fiske's office, McDaniel said that he would advise her not to testify about any financial matters related to Madison or Whitewater until she was allowed access to financial records presumably held now by the special counsel.

McDaniel also acknowledged that the McDougals' Whitewater records were all delivered to the governor's mansion in a box at some time in 1991, before or possibly around the time that Clinton declared his candidacy for President. The attorney said that Clinton personally requested the records and that Susan McDougal had one of her brothers deliver the box to the Clinton residence.

"She expected to get them back in a relatively short period of time," McDaniel said, but Susan and James McDougal said they have not seen those documents since.

McDaniel called Susan McDougal "the first job-loss casualty of Whitewater," saying that a flood of press inquiries had made it impossible for her to keep her job in the Nashville area. However, he declined to identify the firm or to describe the nature of her work, citing her concerns about protecting her privacy.

Despite some efforts by reporters to involve Susan McDougal in the question-and-answer session, McDaniel fielded all inquiries.

When one reporter asked if she could comment on Mrs. Clinton's and the Rose Law Firm's representation of Madison Guaranty, McDougal sat silently shredding her tissue as McDaniel launched a staunch defense of the law firm's integrity.

GRAPHIC: Photo, Susan McDougal, ex-real estate partner with the Clintons, reads brief statement on Whitewater at Little Rock press conference. Reuters

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LEVEL 1 - 14 OF 28 ITEMS

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The New York Times

March 15, 1994, Tuesday, Late Edition - Final

SECTION: Section B; Page 7; Column 4; National Desk

LENGTH: 230 words

HEADLINE: Clintons' Ex-Partner Seeks Help

BYLINE: Special to The New York Times

DATELINE: LITTLE ROCK, Ark., March 14

BODY

A former partner of the Clintons in the Whitewater real estate venture appeared here today to solicit donations to cover her legal expenses in the investigation of the venture.

The partner, Susan McDougal, said during a news conference that neither she nor her former husband, James B. McDougal, violated any laws when they invested in the Whitewater Development Company with President Clinton and his wife, Hillary, or managed a failed savings and loan, Madison Guaranty.

Ms. McDougal refused to comment on the Clintons' involvement in the 1978 Arkansas resort development except to say that recent Federal investigations into Whitewater and Madison were undertaken simply because Mr. Clinton was elected President.

Her lawyer, Bobby McDaniel, said Ms. McDougal had no knowledge of inappropriate investments or illegal transfers of money from Madison to Whitewater. Federal investigators are also examining whether money from Madison was illegally diverted to Mr. Clinton's 1984 campaign for governor.

Mr. McDaniel said Ms. McDougal had no financial documents relating to Whitewater or Madison. He said Ms. McDougal, at Mr. Clinton's request, delivered one box of Whitewater records to the Governor's Mansion sometime in 1991. Ms. McDougal also gave all five boxes of Madison records to Federal regulators and investigators in the late 1980's, Mr. McDaniel said.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 15 OF 28 ITEMS

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March 15, 1994, Tuesday, Late Edition - Final

SECTION: Section A; Page 1; Column 6; National Desk

LENGTH: 1759 words

HEADLINE: CLINTON ASSOCIATE QUITS JUSTICE POST AS PRESSURE RISES

BYLINE: By DAVID JOHNSTON, Special to The New York Times

DATELINE: WASHINGTON, March 14

BODY

Webster L. Hubbell, one of the inner circle the Clintons brought from Arkansas, resigned abruptly today from a top Justice Department job in the latest of a string of Administration efforts to quell controversies over ethics.

Mr. Hubbell said he was leaving his job as Associate Attorney General to spare the President and Hillary Rodham Clinton further embarrassment over accusations that he overbilled the law firm where he and Mrs. Clinton were once partners.

Administration officials said today that Mr. Hubbell had taken the initiative to leave the department's No. 3 position. But senior officials at the White House did nothing to dissuade him from resigning, and one White House adviser said that it had been made clear to Mr. Hubbell that his departure would be helpful.

Setback for Clintons

Whatever the White House role, Mr. Hubbell's exit was a personal setback to Mr. Clinton and especially Mrs. Clinton, with whom he had worked closely at the Rose Law Firm in Little Rock, Ark., which has been near the center of an independent prosecutor's inquiry into the Clinton's real estate investment in Arkansas. Mrs. Clinton said today in Denver that she was "deeply saddened" by his resignation.

Mrs. Clinton, a dominant behind-the-scenes force in shaping the Administration's approach to legal matters, played a major role in selecting Mr. Hubbell -- a former mayor of Little Rock and State Supreme Court Justice -- for his Justice Department post.

This afternoon, Mr. Clinton praised Mr. Hubbell, a regular golfing partner, but said the Associate Attorney General had "made the right decision" to resign. Then tonight, the President lashed out angrily at Republicans, saying they were "committed to the politics of personal destruction." [Page B7.]

Mr. Hubbell's departure, coming as the White House is struggling to cope with a widening inquiry into the Clintons' investment in the Whitewater Development

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Company, the real estate venture, was another instance of old problems reaching from the past to trip up a high-ranking Administration official.

Little Connection to Whitewater

Mr. Hubbell's problems have little to do with the Whitewater affair, although some of the disputed bills could involve overcharging the Government for work related to the Madison Guaranty Savings and Loan Association, which had been owned by James B. McDougal, the Clintons' partner in Whitewater. Mr. Hubbell's former partners at the Rose firm have also questioned costs he incurred in a lawsuit involving his in-laws.

Today, some of Mr. Hubbell's associates traced his conflict with Rose to a bitter feud born when other partners were pushed aside by a group led by him, Mrs. Clinton, Vincent M. Foster Jr., the deputy White House counsel who committed suicide last July, and William H. Kennedy 3d, an associate White House counsel.

The immediate factor that pushed him to resign, they said, was the scheduling of a meeting the Rose partners held tonight to decide whether to refer the dispute over Mr. Hubbell's bills to the state bar association. A Rose partner had no comment after the meeting concluded.

At the Justice Department, Mr. Hubbell's resignation leaves another gap in its senior ranks, following the forced resignation of Philip B. Heymann, the second-in-command, who left in late January citing differences in managerial approach with Attorney General Janet Reno.

Turbulence of Departures

Mr. Hubbell's departure also comes little more than a week after the exit of Bernard W. Nussbaum, the White House counsel. Mr. Nussbaum, a New York lawyer who first worked with Mrs. Clinton 20 years ago, was forced out after it was disclosed that he met with Treasury Department officials preparing a complaint involving Madison Guaranty.

In recent days, the Administration has sought to regain its balance amid the turbulence that surrounded Mr. Nussbaum's departure. A newly named White House special counsel, Lloyd N. Cutler, said that the White House would take an open approach to Congressional inquiries, and Mrs. Clinton said over the weekend and again today that she had made "mistakes" in her handling of the Whitewater controversy.

The Clintons never spoke to Mr. Hubbell on the matter, an Administration official said. Mickey Kantor, the United States Trade Representative, emerged as a broker in Mr. Hubbell's weekend discussions with his family, friends and associates, White House aides said. On Sunday, Mr. Kantor telephoned Thomas F. McClarty 3d, the White House chief of staff, to inform him that Mr. Hubbell was on the verge of resigning.

Wistful and Bitter

Early today, Mr. Kantor, who as Clinton campaign chairman had worked with Mr. Hubbell in Little Rock, again telephoned Mr. McClarty to advise him that Mr.

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Hubbell had made his decision. This afternoon, Mr. Clinton phoned Mr. Hubbell while he was aboard a ferry in Boston Harbor.

Mrs. Clinton has now lost three principal allies with whom she had hoped to reshape the justice system after her husband's election: Mr. Foster, Mr. Nussbaum and Mr. Hubbell.

In a written statement that Mr. Hubbell and the Justice Department revised throughout the day, he sounded alternatively wistful and bitter as he confirmed that he was engaged in discussions with his former law firm over "compensation and reimbursement matters."

Expresses Regret

He expressed regret that he had seen "private issues between me and my family and my former law firm elevated to public speculation," but he expressed confidence that his dispute with the law firm would be "resolved satisfactorily."

In his statement, Mr. Hubbell said, "After a thoughtful weekend, I believe that my continued service will not be as effective as it has been; that the distractions on me at this time will interfere with my service to the country and the President's agenda; and that my family, although totally supportive, is being harmed."

Mr. Hubbell's departure has left Ms. Reno without the person to whom she turned after Mr. Heymann's departure to run the agency day to day. Mr. Hubbell was deeply involved in supervising civil rights, antitrust and immigration matters. Mr. Hubbell's resignation also severs the agency's direct link to the White House.

No Departure Date Set

Mr. Hubbell did not set a precise date for his departure, but he will be hard for Ms. Reno to replace. She has relied on him for his judgment and his ability to smooth her sometimes frayed relationship with Clinton aides who regard Ms. Reno as a grandstanding loner.

And he leaves Ms. Reno still trying to organize her agenda and manage the 80,000-person criminal justice agency without the two top aides on whom Attorneys General have historically depended to supervise criminal and civil law issues on a daily basis.

Some of Mr. Hubbell's friends have said the dispute with the Rose Law Firm was a petty disagreement that had spun out of control. They have suggested that Mr. Hubbell believes that he is being squeezed by his former law partners in a dispute over legal fees in a case involving his in-laws. Mr. Hubbell represented P.O.M. Inc., a parking meter firm owned by Seth Ward, his father-in-law.

But others suggested the issue was far more serious and could ultimately ensnarl Mr. Hubbell in Whitewater. People who have been following the internal inquiry said partners at the Rose firm might examine Mr. Hubbell's billings when he represented Federal regulators in the Government's lawsuit against the outside auditors for Madison Guaranty. Government officials and Rose partners have raised questions about potentially excessive bills.

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But the immediate factor that prompted Mr. Hubbell to resign, as one friend described it today, was a breakdown in his discussions with his former partners after they rejected his proposal to have a mediator settle the dispute.

'Dragging Down White House'

Mr. Hubbell decided that the firm was likely to escalate the inquiry by filing a lawsuit against him or formally lodging a complaint with the local bar association.

"He decided that events this week were going to make it worse," said one Administration official, referring to the possibility the firm might take formal action against Mr. Hubbell. "He felt he was dragging down the White House and he was dragging down the Justice Department. He had just had enough."

The firm first raised questions about Mr. Hubbell's billings in mid-1993, asking him to provide further documentation of expenses related to a lawsuit filed by P.O.M., the parking meter company headed by Mr. Ward, who was succeeded at the company by Mr. Ward's son, also named Seth Ward. The unsuccessful suit charged another parking meter manufacturer with patent infringement and antitrust violations.

Contingency Fee

Mr. Hubbell was slow to provide the supporting documents and his former partners grew increasingly impatient, especially as the firm became embroiled in Whitewater as prosecutors subpoenaed documents and ordered the firm not to destroy any papers related to the issue.

In February the partners insisted on a fuller accounting of his billings and expenses. But by then, said one official, Mr. Hubbell and his former associates were barely on speaking terms and Mr. Hubbell was reluctant to provide any information to former associates he no longer trusted.

Some appeared to be upset because Mr. Hubbell had entered into an unusual arrangement for a large firm, agreeing to represent P.O.M. on a contingency fee basis, meaning that the company would pay the firm only if P.O.M. prevailed in the case. Because P.O.M. lost, the law firm had to absorb what some lawyers following the case estimated were up to $1 million in time charges and other litigation expenses, like the cost of expert witnesses.

Some of Mr. Hubbell's friends have said that he has told them the dispute over his billings center on small misunderstandings, over amounts of no more than a few hundred dollars. In one instance they said he mistakenly charged the firm for first-class airfare rather than paying the difference between coach and first class, according to what they said was his customary practice.

But others suggest the dispute is potentially far more serious. These people, who have closely followed the issue, said that Mr. Hubbell has been unable to account for $50,000 to $100,000 in expenses and has failed to provide backup receipts or documentation for his expenditures. Much of the money was withdrawn from a Rose Law Firm account and much of it was spent for travel.

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GRAPHIC: Photos: Webster L. Hubbell (Reuters) (pg. A1); Webster L. Hubbell, right, who resigned as Associate Attorney General, with Bernard W. Nussbaum, left, who submitted his resignation as White House counsel on March 5. They were in the Justice Department on Feb. 23. (Paul Hosefros/The New York Times) (pg. B7)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 16 OF 28 ITEMS

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SHOW: Morning Edition (NPR 6:00 am ET)

March 15, 1994

Transcript # 1302-1

TYPE: Package

SECTION: News; Domestic

LENGTH: 884 words

HEADLINE: Associate Attorney General Hubbell Resigns Position

GUESTS: JANET RENO, U.S. Attorney General; Rep. NEWT GINGRICH (R-GA); First Lady HILLARY RODHAM CLINTON

BYLINE: ELIZABETH ARNOLD

HIGHLIGHT
Associate Attorney General Webster Hubbell submitted his resignation yesterday, citing an interference and inability to get his work done at the Justice Department due to Whitewater allegations and distractions

BODY
BOB EDWARDS, Host: Good morning. Israel's Prime Minister Rabin is here in Washington today for meetings with U.S. officials. I'm Bob Edwards. Today is Tuesday, March 15th, and this is NPR's Morning Edition.

['Morning Edition' theme music]

EDWARDS: Foreign ministers of the European Union are meeting today in Brussels. Iraqi officials are at the U.N. today trying to get sanctions lifted. Secretary General Boutros Boutros-Ghali is in Argentina today trying to recruit peacekeeping troops for Bosnia. Amnesty International has a report today on human rights in Colombia. On Capitol Hill, trade representative Mickey Kantor testifies on talks with Japan. And today is the birthday of Justice Ruth Bader Ginsberg; she's 61 years old. The news is next.

[newscast]

[funding credits]

['Morning Edition' theme music]

EDWARDS: This is Morning Edition; I'm Bob Edwards. The Clinton administration takes another hit. The number-three official at the Justice Department, Associate Attorney General Webster Hubbell has resigned. Hubbell is a long-time friend of President Clinton, and a former partner with Hillary Clinton at the

Rose Law Firm in Little Rock, Arkansas. Hubbell's billing practices at the firm are the subject of an investigation which he says became a distraction that interfered with his work at the Justice Department. NPR's Elizabeth Arnold reports.

ELIZABETH ARNOLD, Reporter:: In just over a week, two high-ranking officials in the Clinton administration have resigned. White House counsel Bernard Nussbaum quit under pressure after admitting he attended briefings on the status of an investigation into a failed Arkansas savings and loan with links to the Whitewater land deal. Yesterday, Hubbell submitted his resignation to the president, lamenting that private issues involving his billings at the Rose Law Firm had been elevated to public speculation. Attorney General Janet Reno announced Hubbell's resignation, which she insisted was his own decision.

JANET RENO, U.S. Attorney General: I understand the difficulty of trying to do two things at once, a burden for Web that no longer seemed tolerable. It is characteristic of Web that he wanted to give his full attention to one matter or the other, public service or resolving old private disputes.

ARNOLD: Hubbell has denied overbilling his clients. Last fall he recused himself from any role in the Justice Department's investigation of the Clinton's investment in the Whitewater land development, a development also owned by the head of the Madison Guaranty Savings and Loan. The Rose Law Firm represented the savings and loan in the past. The firm was recently subpoenaed by special counsel Robert Fiske, who's investigating Madison and Whitewater.

Included in the wide net Fiske has cast is information about Hubbell's father-in-law, Seth Ward [sp], a former Madison employee and a borrower. In a written statement, Hubbell said he would stand and take the blows from wherever they came if they affected only him. But he said after a thoughtful weekend he decided the distraction would interfere with his service to the country and with the president's agenda. Republicans have been demanding congressional hearings into the entire Whitewater matter. Last week, Senator Minority Leader Bob Dole called for Hubbell's suspension. Only minutes after his resignation was announced, Minority White Newt Gingrich said it was further proof of the need for a congressional inquiry.

Rep. NEWT GINGRICH (R-GA): I think now you have, a week later, lawyer number three resigning, and I think all of that begins to be a pattern that you have to go back and look at.

ARNOLD: Hubbell said in his statement that he was confident that when the discussions over compensation and reimbursement matters are concluded, they will be resolved satisfactorily. Attorney General Reno, President Clinton, and Hillary Clinton, made similar predictions. In a letter to his long-time friend, the president said he was confident Hubbell's accomplishments in office would outlast any interest in the private matters that have arisen from his prior law practice and that motivated his decision.

Yesterday, a few hours after Hubbell's resignation was made public, the first lady made herself available for questions about the Whitewater matter. She expressed regret about Hubbell's resignation and went on to say that while there may have been mistakes made in handling the matter, there was no wrongdoing in the 15-year-old land deal.

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First Lady HILLARY RODHAM CLINTON: We lost money. Goodness knows what you all would be saying if we had made any money.

ARNOLD: Mrs. Clinton said that when the investigation into the Whitewater matter is completed, it's going to be the same story we've been telling for two years. Hubbell says he hopes to re-enter public service in the future. His resignation, according to Reno, will take effect as soon as possible. I'm Elizabeth Arnold in Washington.

The preceding text has been professionally transcribed. However, although the text has been checked against an audio track, in order to meet rigid distribution and transmission deadlines, it may not have been proofread against tape.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 17 OF 28 ITEMS

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USA TODAY

March 15, 1994, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 5A

LENGTH: 275 words

HEADLINE: Clinton attacks GOP, calling it 'devoid of principle'

BYLINE: Bill Nichols

DATELINE: BOSTON

BODY

An angry President Clinton lashed out at what he called the Republican "politics of personal destruction" in a blistering speech at a $ 1,000-a-plate Democratic National Committee fund-raiser Monday night.

Clinton, low-key all day despite the resignation of close friend Webster Hubbell as associate attorney general, had some of his sharpest words yet on GOP attempts to spotlight the administration's Whitewater problems.

Clinton said the problems the country faces cry out for real debate, "a genuine conflict of ideas."

"Why then are we confronted in this administration with an opposition party that just stands up and says no, no, no, no, no, no, no, no, no?" he said, slamming his fist on the lectern.

As a Democratic governor who served mostly in times of GOP presidents, Clinton said, "I constantly sought them out, engaged them in debate, offered to work with them . . . I never did them the way they are doing us in Washington, D.C., today. It is wrong. And it is not good for the United States of America."

Clinton said he felt some Republicans had made a bipartisan effort on crime and health care: "But this overriding negative, intensely personal, totally political, devoid-of-principle attack is not good for the country and is inconsistent with the tradition of Abraham Lincoln and Teddy Roosevelt."

DNC Chairman David Wilhelm and John Kerry and Ted Kennedy, both Democratic senators from Massachusetts, preceded Clinton and also had strong words for the GOP.

Kerry said he was "amused" Republicans seemed to choose Sen. Alfonse D'Amato, R-N.Y., as "their spokesman on ethics. . . . I guess Bob Packwood was busy."

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LEVEL 1 - 18 OF 28 ITEMS

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USA TODAY

March 15, 1994, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 5A

LENGTH: 99 words

HEADLINE: Poll: Whitewater 'politics as usual'

BYLINE: Richard Benedetto

BODY

The Whitewater affair may have taken Washington by storm, but for the rest of the country it's seen largely as just another partisan squabble.

A new USA TODAY/CNN/Gallup Poll finds nearly two of three - 62% - say the Arkansas land deal tied to a failed savings and loan is nothing more than politics as usual.

The poll finds only 23% believe Whitewater involves wrongdoing by President Clinton, first lady Hillary Rodham Clinton or members of his administration.

"It's all a political game, really," says Paul Kalaghan, 59, a retired college administrator in Randolph, Mass.

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LEVEL 1 - 19 OF 28 ITEMS

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USA TODAY

March 15, 1994, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 5A

LENGTH: 516 words

HEADLINE: Arkansas pals find capital inhospitable

BYLINE: Adam Nagourney; Bill Nichols

BODY

By title, Webster Hubbell was only the third-ranking official at the Justice Department, a world away from the White House and President Clinton's inner circle of advisers.

In fact, the associate attorney general, who quit Monday to fight complaints by his Little Rock law firm of pilfering, was more than that: presidential golfing buddy, the White House's political point-man in the Justice Department - and the person Clinton once said he most enjoys being with.

His departure at the best of times would have been a strike at the presidential psyche. In this supercharged environment, with the White House enmeshed in the Whitewater investigation, the difficulties encountered by yet another member of the Little Rock elite Clinton brought with him took on a special resonance.

"This is a sad day," said senior adviser George Stephanopoulos as he prepared to fly last-minute to New Hampshire to assist Clinton for a meeting with citizens where this subject might well come up.

Added Arkansas Democrat-Gazette columnist John Brummett: "Webb is a kind of fun-loving former jock - and Clinton's a sucker for people like that."

Hubbell left in the expectation the Rose Law Firm was about to bring charges against him for overbilling clients and charging personal expenses against the law firm.

The White House argued this latest blemish had nothing to do with the White House or Whitewater. The Clintons hadn't talked to Hubbell since accusations surfaced March 1.

And when Hubbell had his friend U.S. Trade Ambassador Mickey Kantor call the White House Sunday to say Hubbell was thinking about quitting, neither Clinton nor the first lady tried to dissuade him.

No matter: The resignation is, fairly or not, guaranteed to keep the Whitewater story churning. It is no help that Hubbell so much lends himself to the Southern caricature that Washington always seems to be looking for: the backslapping, slightly shifty pol who finds the big city unforgiving.

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It smothered Clinton's efforts to change the subject, on Monday, to job creation. And it raises yet again the question of why Clinton's Arkansas friends who came to Washington - including Vincent Foster, the associate counsel who killed himself, and Hillary Clinton, both Rose members - seem to have been so befuddled by Washington.

"It's all these people here who call it this town," said Paul Begala, a consultant to Clinton, in a disdainful remark about the establishment's questioning of the trouble with Arkansans: "It's just wrong to try to use the fact that Webb Hubbell had to go home and fight out a fight with his partners to cut up Arkansas."

Chief of staff Thomas McLarty, Clinton's boyhood friend, said he had - with the death of his close friend Foster and now this - been wondering about those same questions.

"I don't think it's unfair to put it that way," he said. "It is unfair to make more out of this than it is. Life sometimes has these kinds of occurrences that are disappointing."

Said a somber Clinton: "This is to me more of a personal deal for Webb Hubbell and his many, many friends."

GRAPHIC: PHOTO, b/w, Reuters

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LEVEL 1 - 20 OF 28 ITEMS

Copyright 1994 The Washington Post
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March 15, 1994, Tuesday, Final Edition

SECTION: OPINION EDITORIAL; PAGE A18

LENGTH: 468 words

HEADLINE: Mr. Hubbell Goes

SERIES: Occasional

BODY

IF ASSOCIATE Attorney General Webster Hubbell had been an official of, say, the Agriculture Department, perhaps he could have remained in government while trying to fight free of his other troubles, which are considerable. The issue would have been mainly a political one -- whether his continued presence in the administration was an embarrassment to his friend the president who appointed him.

But the Justice Department as the government's principal law enforcement agency is different. It is charged with upholding some of the very standards that Mr. Hubbell is accused by his various critics of having violated. Mr. Hubbell, Hillary Rodham Clinton's former partner in the Rose Law Firm of Little Rock, is said to have done a good job in his tenure at Justice, for which he was praised yesterday by Attorney General Janet Reno. He still needed to resign, and should probably have done it or been asked to do it earlier.

His troubles arise from two cases that he handled while a Rose partner. both involving his father-in-law, Seth Ward. Mr. Ward was in turn an employee of the real estate arm of Madison Savings & Loan, the failed institution whose president was a business partner of then-Governor and Mrs. Clinton. Mr. Hubbell at one point represented the federal Resolution Trust Corp. in a lawsuit involving Madison; the RTC was trying to recover from an accounting firm some of the money Madison had lost, so there would be less for the taxpayers to pay. The issue is partly whether Mr. Hubbell properly disclosed to the RTC that his father-in-law had a Madison tie (and in fact, was still trying to extract a sizable fee he claimed that Madison owed him). Mr. Hubbell says he did make proper disclosure; a more basic question is whether he should have taken the case even so, because of the potential conflict-of-interest it created for him.

Mr. Hubbell is also in a dispute with the Rose firm over certain expenses incurred while he was there. Some of these were run up in the course of a lawsuit that he agreed to file on behalf of his father-in-law on a contingency-fee basis. Rose was to get paid only if it won; instead it lost, and has had to absorb the costs itself.

Mr. Hubbell has not been fully heard from on either of these matters. Nor has he been officially or frontally charged with doing any wrong. But he can't simultaneously defend himself on these flanks, where he may or may not be vulnerable, and still do the No. 3 job in a Justice Department that already has

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lost its No. 2 official and has management and policy problems enough. The place is hurting. The administration is hurting, too. The last thing it needed was what Mr. Hubbell had become -- a further reminder of the Madison Savings & Loan-Whitewater real estate venture story, inside the Justice Department.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 21 OF 28 ITEMS

Copyright 1994 The Washington Post
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March 15, 1994, Tuesday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 1649 words

HEADLINE: Solid Arkansas Image Wilts in Capital Heat

SERIES: Occasional

BYLINE: Howard Schneider, Sharon Walsh, Washington Post Staff Writers

BODY

On documents submitted to the Senate Judiciary Committee last year, Associate Attorney General Webster L. Hubbell listed among his "ten most significant litigated matters" a complicated patent dispute involving Hunter Engineering and the F.M.C. Corp.

"I was the lead trial counsel," Hubbell wrote to the senators reviewing his career and fitness to take over the number three job at the Justice Department.

But the Hunter Engineering case never went to trial, and other lawyers involved in the 18-month dispute have a different recollection of Hubbell's involvement. "I wasn't ever in the same room with him," said Greg Upchurch, the St. Louis attorney who handled the case for Hunter Engineering and remembers only minimal involvement by Hubbell's firm.

In the narrow world of Arkansas law and politics, few lawyers could top Hubbell's public image. A champion University of Arkansas linebacker who became Little Rock's mayor at 31, he headed the litigation section at the Rose Law Firm and accumulated a net worth of nearly $ 1 million before following his longtime friend and golf partner Bill Clinton and law partner Hillary Rodham Clinton to Washington. "You'd have to go a long way in my state to find anybody who commands more respect, both professionally and as a person, than Webb Hubbell," said Sen. Dale Bumpers (D-Ark.) as Hubbell eased through the Senate confirmation process with glowing recommendations from the White House.

But in recent weeks, as Hubbell's legal activities came under scrutiny -- by his own law firm, the federal agencies that had used his services and the press -- a less clear picture of Hubbell emerged. In an internal inquiry, the Rose firm raised serious questions about possible improprieties in Hubbell's client billings and expense reports that may have resulted in hundreds of thousands of dollars in losses for the firm and excessive bills to some of its clients.

Both the Federal Deposit Insurance Corp. and Resolution Trust Corp. recently began reexamining Rose firm bills from the time that Hubbell served as supervising attorney on savings and loan cases. Rose firm partners have been preparing to take the matter to the state bar and are considering bringing a lawsuit against Hubbell, according to sources close to the firm. Rose firm

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partners were meeting last night and were expected to discuss how to proceed.

For his Senate Judiciary hearings, Hubbell submitted a 26-page questionnaire that included his description of the 10 most significant litigated matters that he handled personally. Among the matters he successfully litigated were cases for the Audubon Society of Little Rock and the Arkansas-based Tyson Foods Inc. James B. Blair, Tyson's general counsel, said, "In all my relations with Webb Hubbell, he's been a competent lawyer and a nice guy."

However, in roughly half of the cases he listed as significant, other lawyers involved said Hubbell played either a minor role or the cases themselves were not significant.

Hubbell told the Judiciary Committee he handled for then-governor Bill Clinton a challenge to a ballot initiative setting new ethics disclosure requirements for public officials. But Scott Trotter, who worked with Hubbell to defend the proposal, said, "There is no way that any of those ballot title challenges can be considered major litigation."

In a case involving a roof collapse at a Little Rock car dealership, Hubbell represented a subcontractor while most of the case focused on the general contractor and the architect. Some lawyers described it as a standard construction dispute; Hubbell portrayed it to the Judiciary Committee as the "longest civil trial in Pulaski County history."

"I'd be very much surprised if Webb Hubbell ever did a dollar's worth of work for Ensco," said H. Clay Robinson, former president, board member and outside counsel for Environmental Systems Co. of Little Rock. Current Ensco officials declined comment. Hubbell had listed Ensco on a list of clients from whom he said he received more than $ 5,000 in recent years.

Hubbell's role in the Clinton administration was controversial from the beginning. On paper, he served as associate attorney general, the No. 3 person in the bureaucracy overseeing the prosecution of civil laws. But Clinton's critics suspected Hubbell's power went beyond his formal appointment, with Hubbell serving as a sort of de facto attorney general, the real power at the Justice Department.

But it was the Whitewater controversy and the Justice Department's investigation of the failed Madison Guaranty Savings & Loan that proved most troublesome for Hubbell.

After Madison was taken over by federal regulators in 1989, Hubbell and other Rose lawyers were hired by the FDIC to represent the agency in a malpractice suit against Madison's accountants.

Hubbell secured the legal work for the Rose firm despite several possible conflicts: The owner of the thrift, James B. McDougal, was a partner with the Clintons in the Whitewater Development Corp. -- the land deal that along with the collapse of Madison is being investigated by special counsel Robert B. Fiske Jr. In addition, the Rose firm had earlier been hired by McDougal to help salvage Madison's finances -- an effort that involved Hillary Clinton representing the thrift before regulators appointed by her husband.

Finally, Hubbell's father-in-law was an employee and was involved in one of

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the land projects criticized repeatedly by federal bank investigators.
Though the FDIC recently cleared Hubbell of ethics violations, his Madison involvement is likely to become an issue not only for Fiske's investigators, but also for the RTC inspector general who is conducting an audit of his work.

Former Madison executive Harry Don Denton, who served as senior vice president and loan officer, said in an interview that Hubbell drafted language for a $ 1.15 million Madison loan for his father-in-law that was used to finance a real estate deal in a project now under federal investigation.

The wording in the 1985 loan to Seth Ward, an employee of Madison's real estate subsidiary, said Ward could not be held personally liable for repayment, according to Denton.

"Hubbell structured ... the wording for Seth's non-recourse note," said Denton in an interview. "There wasn't anyone obligated to repay it."

Denton said he met with Hubbell in the fall of 1985, and that Hubbell prepared the language in a promissory note under which Ward would have no personal liability on a loan to buy about half of Madison's 1,100-acre Castle Grande project south of Little Rock. Fiske has subpoenaed Castle Grande records as part of a broad look at Madison's activities.

Hubbell, who recused himself from the Madison investigation late last year, said through a spokesman that he does not recall helping draft the terms of the loan for Ward, a retired businessman who was hired by McDougal in 1985 to put together real estate deals.

"He has no clear recollection of drafting it," said Justice Department spokesman Carl Stern. "He doesn't believe he did it, but it's been a long time," Stern said.

Ward has declined to be interviewed. His attorney, Alston Jennings, said: "As far as [Ward] knows, Webb Hubbell had nothing whatsoever to do with the transaction."

Ward's loan was repaid through the sale of Castle Grande lots. Madison, which fully financed those sales, was unable to collect on most of the loans. The Castle Grande project was harshly criticized in a confidential 1986 federal bank examination, which found that it was "purchased and sold in a series of fictitious transactions" that generated $ 1.8 million in inflated profits and payments to Madison owners and employees.

Three years later, when Madison failed and the RTC wanted to file suit against the thrift's accountants for malpractice, Hubbell was hired without informing the government that his father-in-law had been a Madison insider who was in the midst of his own legal dispute with the RTC over Madison funds.

In June 1989, after federal officials learned of Hubbell's connection to Ward, they sought and received a letter from him in which he stated, "I have not represented Mr. Seth Ward in connection with any issue or matter relating to his disputes with Madison Guaranty. " Hubbell further pledged he had "no intention"

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of representing Ward.

Four months later, Hubbell -- still representing the RTC -- informed Ward's lawyer of a key court development, according to testimony by the lawyer. That information led the lawyer to obtain $ 400,000 in disputed RTC funds.

Under a side contract never made part of the S&L's records, Madison owner McDougal had agreed Madison would pay Ward a 10 percent commission on all commercial land sold at Castle Grande, no matter who actually sold it. Ward claimed $ 356,840 in commissions on commercial land sales at Castle Grande.

Ward sued Madison in Arkansas state court and won; $ 400,000 was placed in an escrow account while the case was appealed. After the RTC stepped in and moved the case to federal court, the state appeal was dismissed.

Hubbell advised Alston Jennings, Ward's lawyer, about the state court decision. That gave Jennings an opportunity to take the $ 400,000 out of escrow -- setting off yet another court dispute with the RTC.

"I guess it must have been Wednesday morning of last week I was advised ... by Web Hubbell, who is Seth Ward's son-in-law ... that the [state] Court of Appeals had dismissed the appeal in this case... . I decided that Mr. Ward was entitled to his money and I went down to Worthen Bank and got it," Jennings testified on Oct. 31, 1989. He said he also read an item in the local newspaper about the dismissal.

Ward's victory was overturned in federal court, and he ended up returning most of the money in a settlement with the RTC.

Staff writer Susan Schmidt contributed to this report.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 22 OF 28 ITEMS

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March 15, 1994, Tuesday, Final Edition

SECTION: FIRST SECTION; PAGE A6

LENGTH: 524 words

HEADLINE: Hillary Clinton Seems to Step Back From $ 69,000 Whitewater Figure; But Couple 'Lost a Bunch of Money' in Deal, First Lady Says

SERIES: Occasional

BYLINE: Dan Balz, Washington Post Staff Writer

DATELINE: DENVER, March 14, 1994

BODY

First Lady Hillary Rodham Clinton today appeared to back away from previous assertions that she and President Clinton lost $ 69,000 on their investment in the Whitewater land development company, but insisted they "lost a bunch of money" and maintained they have consistently told the truth about the matter.

On a one-day visit to Colorado to promote the administration's health care reform plan, the First Lady once again acknowledged that she has mishandled the issue.

"I have tried to be as understanding as I can about the concerns and questions of the press," she said during a brief news conference, "and I've admitted that I made mistakes in how I have perceived this and handled it."

But she asserted: "When this is over it's going to be the same story we've been telling for two years. We made a bad investment, we lost money and there's not a lot to add to it."

Clinton's trip here today marked her first outing since White House aides were subpoenaed by special counsel Robert B. Fiske Jr. and came amid growing questions about her role in the Whitewater development firm and in her representation of the failed Madison Guaranty Savings & Loan, which was owned by the Clintons' business partner.

Throughout her visit, which included speeches at the University of Colorado in Boulder and to a health care reform conference, she was greeted by enthusiastic crowds, who appeared to have little interest in the issue that has dominated the news in Washington recently.

She said the public never asks her about Whitewater and predicted that the growing political warfare over Whitewater would not hamper the administration's efforts to pass health care reform in Congress.

"The overwhelming majority of Americans want health care reform and they want

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it now," she said.

Asked today whether she stands by a report prepared for the campaign in 1992 that said she and the president lost $ 69,000 on Whitewater, she said, "We know we lost money and lost a bunch of money for us. We're trying to get exact figures and will be giving information we come across ... to the special counsel. That's what we believe our primary obligation is, and that's what we're doing."

Over the weekend, there were reports that the Clintons may have additional tax liabilities because of certain deductions they claimed. Asked to explain why they might owe more taxes on a losing investment, she said, "You're just going to have to wait along with everybody else as we work this through with the special counsel and try to figure out what we are obligated to give him and what kinds of questions we have to answer in that process."

At her appearances, she was given something of a hero's welcome by cheering students and health care professionals. Rep. Patricia Schroeder (D-Colo.), in introducing the First Lady at the health care forum in Denver, charged that Republicans are trying "to destroy Hillary," and defended her as someone who "only wanted power to help somebody, not to be somebody."

She said Hillary Clinton has "a heart the size of a washtub," compared to most others in Washington who have one "the size of a swollen pea."

GRAPHIC: PHOTO, IN COLORADO, HILLARY CLINTON RESPONDS TO A GIFT OF BOXER SHORTS FOR THE PRESIDENT FROM STUDENT LEADER STEPHANIE ASCHER. AFP

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 23 OF 28 ITEMS

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March 15, 1994, Tuesday, Final Edition

SECTION: Part A; NEWS ANALYSIS; Pg. A1

LENGTH: 962 words

HEADLINE: Whitewater issue won't wash away

BYLINE: Paul Bedard; THE WASHINGTON TIMES

BODY

The White House is desperately trying to keep its focus on President Clinton's domestic policy agenda, but top aides conceded yesterday that they are losing out to the growing Whitewater-Madison affair.

"Everybody has been consumed by it," said a senior administration official. "Whitewater has been a distraction to those who work in this building."

"There's a recognition Whitewater is going to be a continued problem," said senior Clinton counselor David Gergen.

That concern gathered momentum yesterday with the surprising and embarrassing resignation of Associate Attorney General Webster L. Hubbell - President Clinton's golfing pal and close adviser and a former partner of Hillary Rodham Clinton's in Little Rock's Rose Law Firm.

The Clintons took to the road yesterday - Mr. Clinton to an international jobs summit in Detroit and Mrs. Clinton to Colorado to tout the Clinton health care reform plan - but they were confronted with more questions about Whitewater-Madison and the Hubbell casualty.

The resignation knocked Mr. Clinton's summit off the front page and again trained the media spotlight on Mrs. Clinton and her Rose colleagues just a day after White House officials thought they had turned the corner in fighting Whitewater-Madison reports.

Mr. Hubbell's resignation came amid a flurry of reports about his representation of the federal government in a lawsuit against Arkansas' failed Madison Guaranty Savings and Loan Association and overbilling of clients. Madison's owner was a partner of the Clintons' in Whitewater Development Corp.

The Hubbell resignation, coming nine days after the resignation of White House Counsel Bernard Nussbaum, "splatters mud on us" and "feeds the suspicion" that the White House is involved in wrongdoing in the Whitewater-Madison affair, a senior administration official said. Mr. Hubbell, who had been at Justice for more than a year, was considered Mrs. Clinton's department watchdog.

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The resignation also fueled Republican attacks on the Clinton White House and calls for congressional hearings into Whitewater-Madison, which have thus far been blocked by Democrats in the House and Senate.

"All the resignations in the world will not lift the dark specter that has settled over the Clinton presidency," said Sen. Lauch Faircloth, North Carolina Republican.

The political hemorrhaging of the Whitewater-Madison affair has left Mr. Clinton's top aides questioning their handling of the growing controversy and considering changes.

"There has been a level of naivete and a lack of experience here that we're trying to fix," a senior Clinton administration official said.

Mr. Gergen said in a telephone interview that no staff changes are planned, but another official said "it's too early to tell what changes are in store."

Other sources said that Mrs. Clinton's power in the West Wing was being diluted because of the focus on her part in the Whitewater-Madison affair. In addition, senior Clinton advisers believe she has hurt the president with her stubbornness in resisting calls for a Whitewater-Madison special counsel, compounded by her close relationships to Mr. Nussbaum and Mr. Hubbell.

Added to those problems is the July death of White House Deputy Counsel Vincent W. Foster Jr., another Rose partner and the Clintons' personal attorney, who authorities said committed suicide. White House officials, led by Mr. Nussbaum, removed Whitewater files from Mr. Foster's office shortly after his death.

Administration officials said yesterday it has become clear that the Little Rock "mafia" closely associated with the first lady has exploded, leaving her somewhat isolated.

Her remaining Rose ally, White House Associate Counsel William Kennedy III, has been under fire for months and has seen his influence dry up as a result, according to the officials.

But sources close to Mrs. Clinton disputed reports that the first lady was seeing her role lessened. They noted that she has led the latest effort to explain the Clinton's involvement in Whitewater-Madison.

Mr. Gergen, a former aide to President Reagan, said the White House staff "is rallying around" the Clintons.

He rejected any description that the White House was reeling from Whitewater-Madison. "Reeling is panic, and that's not what I sense here," he said.

To overcome the Whitewater-Madison hurdle, Mr. Clinton has told aides in senior staff meetings to ignore the burgeoning controversy and push his programs to reform health care and welfare.

During an East Room rally last week announcing Lloyd Cutler as Mr.

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Nussbaum's replacement, Mr. Clinton told White House staffers that he did not want them to become discouraged or divert attention from the agenda.

"I'm not going to do anything to screw up this job," a senior administration official recalled the president telling his aides.

Mrs. Clinton told staffers, "We're still on a mission."

Mr. Clinton has taken steps to keep to his agenda. Before leaving for the Detroit jobs summit Sunday, for example, he invited Uruguay's president into the Oval Office for a meeting that delayed his departure to Andrews Air Force base 30 minutes.

"He's told us not to get too preoccupied with what's going on in the press," said a national security aide.

Mr. Gergen said that the latest efforts in the White House to deal with the Whitewater-Madison crisis shows "we've turned the page in how we're handling Whitewater."

But other aides said it is unlikely they can stem the daily barrage of Whitewater-Madison news reports and politically charged attacks.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 24 OF 28 ITEMS

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March 15, 1994, Tuesday, Final Edition

SECTION: Part A; NATION; Pg. A10

LENGTH: 673 words

HEADLINE: More lawyers find overbilling has legal limit

BYLINE: Nancy E. Roman; THE WASHINGTON TIMES

BODY

Lawyers increasingly are being prosecuted for overbilling their clients, ethics lawyers say.

"Five years ago it was a very oddball story to read anything about a lawyer defrauding a client by charging some fantastic sum for legal bills. Now I probably run across a story like this once every month or two," said Roy Simon, a law professor who teaches ethics at Hofstra University in New York.

The Rose Law Firm is investigating reports that Webster L. Hubbell overbilled clients.

He is accused of writing checks on a client account to pay for personal trips and credit-card bills, crediting to himself hours worked by salaried associates, and billing taxpayers more than $20,000 for work on a Madison Guaranty Savings and Loan Association matter during one 20-day period.

As managing partner of Little Rock's Rose Law Firm, Mr. Hubbell submitted a bill to the federal government that said he worked without a day off, through three weekends, averaging more than eight hours a day at a fee of $125 an hour.

John J. Marquess, founder and general counsel of Legalgard Inc., a company that audits legal bills, said overbilling is commonplace.

"Our experience since 1987 - and we have seen between 4 and 5 million legal bills - when you find fat it can be as high as 30 percent," said Mr. Marquess. "I'm not saying that every legal bill is full of 30 percent fat, but four out of five bills we see have some problem."

Mr. Marquess left private practice to start Legalgard after witnessing unchecked abusive billing. "I did some research into what we were hearing and found out that a lot of it was real," he said..

He said most of the fat is inefficiency, but about 5 percent is outright fraud, which includes billing for:

* Expenses not incurred.

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* More hours than were spent.

* Attending events not attended.

* More hours in a year than anyone physically could have worked.

Mr. Simon told of one case in which a woman reported overbilling to the firm's senior partners. They fired her, and she sued, winning a handsome jury verdict.

Mr. Simon said he uses a stopwatch when talking with a client on the phone. "But you don't see many lawyers in practice who are billing in that way.

"Usually, they are on the train the next morning trying to reconstruct the previous day. If you know that you got to the office at 8:30 and didn't leave until 7:30, that sounds like 11 hours. But that doesn't account for chats in the hall, or stopping to read a magazine on a reception table. Those five and 15 minutes add up."

Ultimately, he said, 11 hours are billed for eight hours work.

Philadelphia lawyer William Perrone was suspended last year from handling court-appointed work after the Philadelphia Inquirer reported the 43-year-old lawyer had billed three 30-hour and many 24-hour days in 1991.

Records showed that in 1991, Mr. Perrone billed the city for a total of 3,755.75 hours of work - more than 10 hours every day of the year.

He was suspended from taking further appointments, and court officials were ordered not to pay any of his pending bills, prompting the Philadelphia Bar Association criminal justice section to consider alternatives to the hourly billing basis.

Lawyers bill in four ways: the contingency fee, the flat fee, the statutory fee and the hourly fee. With a contingency fee, the client agrees to pay a percentage of the money won in the lawsuit. A statutory fee is set by law or a judge. A flat fee is a service for a price.

However, most business attorneys charge by the hour.

This month the ABA Journal has a cover story on hourly billing called "When Alternative Billing Beats the Clock," which concludes that clients do not like to be billed on an hourly basis but prefer a results-oriented pay scheme.

Mr. Simon says he will bring all this up with his ethics classes.

"I wouldn't be able to resist bringing this up," he said.

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LEVEL 1 - 25 OF 28 ITEMS

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March 15, 1994, Tuesday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1849 words

HEADLINE: Hubbell resigns post, cites 'distractions' ;
His Rose Law Firm billing remains under investigation

BYLINE: Jerry Seper and Michael Hedges; THE WASHINGTON TIMES

BODY

Associate Attorney General Webster L. Hubbell, under fire over his billing practices while a partner at Little Rock's Rose Law Firm, yesterday became the second key Clinton administration official to fall as a result of the ongoing Whitewater-Madison investigation.

Mr. Hubbell's resignation, effective "as soon as possible," was announced yesterday by Attorney General Janet Reno.

In recent days, pressure had been building on Mr. Hubbell - whose Rose partners included first lady Hillary Rodham Clinton and former White House Deputy Counsel Vincent W. Foster Jr. - over his suspected overbilling of Rose clients, including the federal government.

"There are no words capable of fully conveying to you my deep respect and admiration for Webb Hubbell or how sad this event makes me," Miss Reno said. "I can say unequivocally that Webb Hubbell gave fully of himself to make America a better place."

Mr. Hubbell, 46, said he decided over the weekend that his continued service in the Justice Department's No. 3 post would not be effective because the "distractions on me at this time" would interfere with "my service to the country and the president's agenda."

"It is with deep regret that I have seen private issues between me and my family and my former law firm elevated to public speculation," he said in a statement.

Nine days ago, White House Counsel Bernard W. Nussbaum also resigned after it was learned he had attended secret meetings between government regulators looking into the Whitewater-Madison affair and White House officials.

President Clinton said yesterday that Mr. Hubbell did the right thing in resigning and then said four times: "I hope it was the right decision."

Arriving in Boston for a political rally, Mr. Clinton told reporters, "I

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just think we have to take him at his word, give him a chance to deal with this and see what happens.

"I have no knowledge of the facts, but based on my knowledge I find [any wrongdoing] hard to believe," he said. "He's one of the most widely esteemed people that I've ever known."

Mr. Clinton, who called Mr. Hubbell from a ferry in Boston Harbor in what administration sources said was an effort to "buck him up," said his longtime friend "wants to go home and defend himself and work through this thing."

Accusations against Mr. Hubbell for overbilling magnified last Wednesday when investigators from two federal regulatory agencies went to the Rose firm for an "entrance meeting" to set up procedures for a review of bills signed by Mr. Hubbell in a case involving Madison Guaranty Savings and Loan Association, officials said.

The investigators, from the Resolution Trust Corp. (RTC) and the Federal Deposit Insurance Corp. (FDIC), were to begin analyzing the bills in the next few days, the officials said. The investigators already had received one specific accusation of a $30,000 double billing involving Mr. Hubbell.

"We have heard about the double billing, including that $30,000 allegation, and we are following that up in our audit," said one federal regulator. Overall, several hundred thousand dollars worth of bills signed by Mr. Hubbell were to be scrutinized by regulators.

A review by The Washington Times of some of Mr. Hubbell's government bills in a case involving Madison shows that on at least two occasions he charged the government for a full day's work at $125 an hour while he actually was playing golf at the Country Club of Little Rock.

According to at least one accusation federal regulators are probing, Mr. Hubbell - as the lead attorney - submitted a bill in the Madison-related case for $2,400. The firm later included the same $2,400 as part of a larger $27,000 bill to the government. That $27,000 was resubmitted in yet another bill for $80,000, covering an extended period.

Beginning in 1989, Mr. Hubbell handled the court case for the FDIC against Madison's Little Rock auditors, Frost & Co., in which the government settled for much less than it sought and less than the firm's insured coverage. The suit said the Frost audit of Madison was bogus. In 1985, Hillary Rodham Clinton and the Rose firm represented Madison in efforts to block its closure by Arkansas bank regulators who were under the dominion of Gov. Clinton, using the Frost audit to justify keeping the S&L open.

Records released by federal regulators earlier this year show Mr. Hubbell signed all the Rose bills sent to the government on the Madison-Frost case. The firm was paid $400,000 to represent the FDIC.

Sen. Alfonse M. D'Amato, New York Republican, said yesterday Mr. Hubbell's resignation was necessary.

"All these FOBs, as the press calls them, came here from Little Rock; what they have really brought is a cloud over the White House. . . . The smelly

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aroma of Little Rock has now clouded the Justice Department and has certainly tainted it, and has brought real problems to the credibility of the White House as well," said Mr. D'Amato, who has called for Senate hearings in the Whitewater-Madison affair.

House Minority Whip Newt Gingrich, Georgia Republican, said yesterday that the Hubbell resignation underscores the need for congressional hearings into Whitewater-Madison.

Madison, owned by James B. McDougal, was seized by federal regulators in 1989 at a cost to taxpayers of $50 million. Mr. McDougal and his then-wife, Susan, were partners with the Clintons in Whitewater Development Corp., an Arkansas real estate venture.

Special counsel Robert B. Fiske Jr. is looking into suspected financial irregularities involving both Madison and Whitewater, including the diversion of funds by Mr. McDougal to Mr. Clinton's 1984 gubernatorial campaign.

Mr. Fiske's 115 subpoenas include one seeking material on Mr. Hubbell's father-in-law, Seth Ward, who borrowed $587,000 from Madison and was an officer of a Madison subsidiary, Madison Financial Corp.

Mr. Ward's name also has surfaced in an internal audit of Mr. Hubbell's billing by Rose partners, disclosed last week by The Times and the Minneapolis-St. Paul Star Tribune.

The Wall Street Journal reported yesterday that the partners had questioned $1 million in expenses and unbilled time charges and had additional concerns about Mr. Hubbell's personal expenses. The Journal said the partners were upset about Mr. Hubbell's representation of P.O.M. Inc., a parking-meter firm in Russellville, Ark., established by Mr. Ward - with the help of a $2.75 million tax-exempt bond approved by Gov. Clinton.

P.O.M. Inc., now run by Mr. Ward's son, Seth Ward II, was included in the Fiske subpoenas.

The Rose firm's internal audit, which Mr. Hubbell described yesterday as "disputes over compensation and reimbursement matters," began after some partners suggested he had failed to document hundreds of thousands of dollars in expenses billed to clients.

A source at the firm told The Times last week that several partners believe Mr. Hubbell has "stonewalled" their efforts to get information on his billings and the 1989 FDIC lawsuit.

Frustration over the matter has built to the point that the partners have talked with Houston lawyer Walter Stuart IV to discuss the possibility of filing an ethics complaint against Mr. Hubbell with the Arkansas Supreme Court's Committee on Professional Conduct.

Mr. Hubbell's former partners discovered the extent of the billing problems after paying him more than $100,000 when he cashed in his interest in the firm before coming to Washington in late 1992.

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Mr. Hubbell has denied any wrongdoing in connection with overbilling accusations. If found to have billed clients or his firm for personal expenses, he would face consequences ranging from professional sanctions to criminal fraud prosecution.

Although Mr. Hubbell said yesterday his resignation had "nothing to do" with the Whitewater-Madison affair, others described him as the probe's second casualty, following Mr. Nussbaum.

* Frank J. Murray contributed to this report.

****BOX

HUBBELL AT JUSTICE

A chronology of Webster L. Hubbell's troubles as associate attorney general.

February 1993: While serving a temporary 120-day appointment with no title at the Justice Department, Hubbell is accused of intervening in the retrial of Rep. Harold E. Ford, Tennessee Democrat, reversing the department's position on a jury-selection issue.

April 1: Attorney General Janet Reno announces the selection of Hubbell as associate attorney general, calling him "one of the great men in America."

April 19: On the day of the government's tear-gas assault on the Branch Davidian compound near Waco, Texas, Reno says that Hubbell, and not she, was in communication with President Clinton about the assault.

May 18: Hubbell tells the Senate Judiciary Committee that he resigned his membership from the exclusive Country Club of Little Rock because it allowed only one black member to join during his 15-year membership.

May 18: The Washington Times reports that over a 90-day period in 1983, Hubbell made a $3,500 profit from a $9,100 investment in the stock of Arkansas-Louisiana Gas Co., a firm whose executive vice president was Thomas F. "Mack" McLarty, now the White House chief of staff.

Sept. 29: The Washington Times reports that Hubbell helped engineer a nursing home deal that Iowa authorities criticized as a profiteering scheme.

Nov. 10: Hubbell recuses himself and his staff from the Justice Department's Whitewater investigation. Hubbell's father-in-law, Seth Ward, was an executive at a Madison real estate subsidiary, and defaulted on two Madison loans, totaling $587,793. In 1989, Hubbell served as the Rose Law Firm's lead attorney representing the Federal Deposit Insurance Corp. in a suit against the accounting firm Frost & Co. Frost had prepared the audit of Madison Guaranty used by Rose lawyers four years earlier in successfully arguing the case for Madison's continued operations.

March 2, 1994: The Washington Post reports that the Rose Law Firm has been investigating whether Hubbell overbilled clients and then used the money for personal expenses. Hubbell confirmed that his former partners questioned him

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about his billing practices, but he denied ever overbilling any clients.

March 5: The Washington Times reports that Hubbell billed taxpayers more than $20,000 for work on a Madison Guaranty Savings and Loan Association matter during one 20-day period in August 1990, despite his contention that he had only "indirect" involvement in the case

March 11: The Washington Times reports that Hubbell's former partners at the Rose Law Firm are considering filing ethics charges against him after an internal probe found that he failed to document hundreds of thousands of dollars in expenses billed to clients.

GRAPHIC: Photos (A & B, color), A) The gantlet: Attorney General Janet Reno prepares to announce her associate's resignation at a Justice Department news conference yesterday.; B) Another casualty: Webster L. Hubbell is the second key Clinton aide to fall in Whitewater's wake.; C) Webster L. Hubbell takes a break during his confirmation hearing last May on Capitol Hill., A) By Ruth Fremson/The Washington Times; B) NO CREDIT; C) By Kenneth Lambert/The Washington Times ; Box, HUBBELL AT JUSTICE, By The Washington Times

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 26 OF 28 ITEMS

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March 15, 1994, Tuesday, Final Edition

SECTION: Part A; NATION; Pg. A10

LENGTH: 727 words

HEADLINE: Madison questions pursue first lady ;
She asserts commitment to press ahead with reform of health care

BYLINE: Valerie Richardson; THE WASHINGTON TIMES

DATELINE: DENVER

BODY

DENVER - First lady Hillary Rodham Clinton tried doggedly to stick to the subject of health care during her visit here yesterday, but questions on the Whitewater-Madison matter would not leave her alone.

In Colorado, Mrs. Clinton promoted her proposed national health care proposal, gave a speech at the University of Colorado at Boulder, explained the finer points of her health plan at a forum in Denver and toured a National Guard medical unit operating in Denver's inner city.

When she finally agreed to field questions from reporters at the end of the day, however, she was deluged by queries on the Clintons' involvement in Whitewater-Madison and the resignation of Associate Attorney General Webster L. Hubbell.

At one point, the discrepancy between her agenda and that of reporters became so stark that Colorado Gov. Roy Romer, a fellow Democrat, stepped in and banned further questions unrelated to health care.

Even so, Mrs. Clinton insisted that the Whitewater-Madison imbroglio had not detracted from her campaign to implement universal health coverage.

"I don't think it [Whitewater] matters at all," said Mrs. Clinton, flanked by about 30 uniformed National Guard medical personnel outside a makeshift medical unit. "I've been talking about health care for more than a year, and I'll keep talking about it 'til I get it done."

As for Mr. Hubbell's resignation, she said he would be "missed greatly."

Mr. Hubbell, a former senior partner with Mrs. Clinton's at Little Rock's Rose Law Firm and close friend of the Clintons', was mired in questions about his handling of a federal lawsuit aimed at Madison Guaranty Savings and Loan Association and possible overbilling of Rose clients.

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"I am personally deeply saddened for Webb and his family," she said. "But I'm also very sad for this country because he has and had done a lot of very good work at Justice."

She repeated remarks released over the weekend about her own involvement with the failed S&L, saying she had made mistakes and that she would release all information surrounding the matter after the investigation by Whitewater-Madison special counsel Robert B. Fiske Jr.

"We lost money - goodness knows what you all would be saying if we made money," Mrs. Clinton said. "I'm glad we lost money."

Reporters were not the only ones with questions about Mrs. Clinton's involvement in the Whitewater-Madison affair. At her speech at the Boulder campus, a group of local men held up an enormous banner with the message: "What Did Vince Foster Know?" The words "Vince Foster" were painted in dripping red letters.

Mr. Foster, the former White House deputy counsel, Clinton personal attorney and former Rose colleague of Mrs. Clinton's, died in July in what authorities have termed a suicide at a Northern Virginia park. White House officials removed records from the Clintons' partnership - Whitewater Development Corp. - shortly after his death.

A few seconds into her speech, campus security guards ordered the men to put down the banner, which was about 50 feet from the podium. Afterward, one guard said the order to remove it came from the first lady's staff.

Shariar Ghalam, one of several men who brought the sign, said he was not satisfied with the White House's explanation of Mr. Foster's suicide.

"We've got a dead body and a lot of questions," said Mr. Ghalam, a Boulder construction contractor.

His friend, Kendall Collins of Boulder, added: "At the pinnacle of his career, it's hard to believe that he committed suicide."

Mrs. Clinton's health care program drew some challenges, as well. While the 5,000 students and local residents who attended cheered at several points in her speech, several dozen held signs with messages such as "Colorado Wants Single-Payer," "No New Taxes," "Reduce Government" and "Please Save Us, Hillary, We're Helpless Without the Government."

Rep. Patricia Schroeder, Colorado Democrat, took a swipe at Mrs. Clinton's detractors during the Denver summit, one of several health care forums sponsored nationwide by the Columbia Institute. Some congressional Republicans, she said, have done "everything they could do to stop Hillary" from succeeding in enacting health care reform.

GRAPHIC: Photo, Hillary Rodham Clinton answers reporters' questions in Colorado., By AP

LANGUAGE: ENGLISH

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LEVEL 1 - 27 OF 28 ITEMS

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The Washington Times

March 15, 1994, Tuesday, Final Edition

SECTION: Part A; COMMENTARY; EDITORIALS; Pg. A18

LENGTH: 647 words

HEADLINE: Whitewater's second casualty

BODY

These are dangerous days to be a close lawyer friend of Hillary Rodham Clinton: Lani Guinier is licking her wounds, Vince Foster is dead, Bernie Nussbaum is out of a job and has been subpoenaed by Robert Fiske Jr., and now Webster Hubbell has left the Justice Department under a cloud. The No. 3 man at Justice, Mr. Hubbell was on the receiving end of a one-two scandal punch. He is being scrutinized for his role in the Whitewater affair - for starters, did his work for the Federal Deposit Insurance Corp., as custodian of the failed Madison Guaranty Savings and Loan, constitute a conflict of interest in light of his own firm's former representation of Madison and in light of the fact that his father-in-law had won a large judgment against Madison that the government was appealing? And he is being investigated by his former partners at the Rose Law Firm in Little Rock for overbilling. Yesterday he resigned his position as associate attorney general - insisting that he would be thoroughly vindicated.

Maybe. But his hasty departure makes little sense unless Mr. Hubbell knows he has some particularly difficult rapids to negotiate. The billing question is not a niggling one: no small change here. The money at issue may total more than $1 million. Such an embarrassing squabble would under normal circumstances have elicited little more than Page 18 news, but add to it the fact that the White House is already taking on water, and Mr. Hubble becomes a true liability. Mr. Hubbell became just so much cargo to be jettisoned by the Clintons in the storm.

The most immediate affect of Mr. Hubbell's resignation is at an already rudderless Justice Department. Attorney General Janet Reno is now all alone in the executive offices of the department. The departure of Mr. Hubbell follows on the heels of Philip Heymann's resignation. Mr. Heymann, who was second in command, left Justice last month citing a lack of "chemistry" between him and Miss Reno. The bad blood may actually have been between Mr. Heymann and Mr. Hubbell, who regularly acted as a sort of surrogate attorney general, running the department according to the Clintons' druthers while Miss Reno looked on.

Miss Reno is now going to have to run the fractured Justice Department all by herself, a task few think she is up to. She has shown little interest in the crucial day-to-day tasks of deciding what suits to bring and which to settle. Mr. Heymann handled most of those questions involving criminal cases and Mr. Hubbell took care of the civil cases. Expect the Justice Department to come to a screeching halt.

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Mr. Hubbell's fate must also bring beads of sweat to the Clintons' brows, because it was precipitated by the much-buffeted Rose Law Firm. If the wall of silence around Rose is compromised by more than just the couriers who were pressed into shredding service, far more about the Whitewater fiasco may become known. The aggressive assault by Rose partners on Mr. Hubbell suggests that some lawyers in the firm are fed up. Consider the position of young partners, those 35-year-olds who have slaved for years as associates at Rose and expected the elevation of the Clintons to mean open partner slots and, finally, the Little Rock gravy train. Turning on Mr. Hubbell may signal that the younger guard at Rose is no longer going to stand idly by while their careers are washed away in a scandal that has nothing to do with them.

Mr. Hubbell's bug-out is particularly revealing as regards the first lady. Much of her power was based in her control over key appointments. Mr. Hubbell and Mr. Nussbaum were two such, and they are gone. The point is that Mrs. Clinton is unable to protect her closest friends when they need her, which may be the most damaging revelation of all.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 28 OF 28 ITEMS

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Chicago Tribune

March 15, 1994 Tuesday, NORTH SPORTS FINAL EDITION

SECTION: NEWS; Pg. 1; ZONE: N

LENGTH: 865 words

HEADLINE: ANOTHER RESIGNATION JOLTS WHITE HOUSE

BYLINE: From Tribune Wires.

DATELINE: WASHINGTON

BODY

Associate Atty. Gen. Webster L. Hubbell resigned Monday, adding to the turmoil in the Clinton administration, saying distractions from a probe at his former law firm "will interfere with my service to the country."

Hubbell's resignation followed within 10 days that of White House counsel Bernard Nussbaum, a central figure in accusations that the White House improperly met with federal regulators to try to influence their investigation of the Whitewater land deal.

The two resignations have contributed to an atmosphere of disorder and instability, damaging President Clinton's attempts to carry on with his agenda.

Clinton, who traveled to Detroit and Boston Monday, said Hubbell's decision to step down was "the right thing to do."

Clinton said he did not believe his old ally had done anything wrong. "Based on my knowledge of him, I find that hard to believe."

Speaking to a Democratic fund-raiser in Boston, the president also lashed out at his Republican critics in Congress, saying they are "committed to the politics of personal destruction" and oppose anything he proposes.

He said the country is torn by "terrible problems that beg for honest debate from people of different perspectives."

And yet, he said, the Republicans are an opposition party that "just stands up and says no, no, no, no, no, no, no, no, no."

"Almost from the beginning," Clinton said, "I saw a very different edge to the Republican Party in this country-the party dedicated just to vote against whatever we were for and committed to the politics of personal destruction. They were so busy with it."

An aide to Hubbell said the longtime Clinton adviser had decided on his own last weekend that he needed to focus full time on clearing himself of allegations that he had overbilled clients.

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In resigning, Hubbell said his effectiveness as the Justice Department's No. 3 official was being compromised, adding in a statement, "It is with deep regret that I have seen private issues between me and my family and my former law firm elevated to public speculation."

Hubbell's dispute with his former law firm is not directly related to the controversy over the role of the president and his wife, Hillary Rodham Clinton, in Whitewater Development Corp., in which they were partners in a failed real estate deal with the owner of Madison Guaranty Savings and Loan Association.

White House spokeswoman Dee Dee Myers said Hubbell made the decision on his own. "This is not something the White House asked him to do."

Atty. Gen. Janet Reno's voice shook as she briefly appeared before reporters Monday afternoon to announce Hubbell's departure. Aides said the decision had come as a shock to her.

"There are no words capable of fully conveying to you my deep respect and admiration for Web Hubbell or how sad this event makes me," Reno said.

Besides adding to Whitewater-related speculation, Hubbell's departure creates a larger vacuum at the top of the Justice Department. The No. 2 slot also has been empty since last month, when Deputy Atty. Gen. Philip B. Heymann resigned, citing management-style differences with the attorney general. Heymann's designated replacement, Pentagon counsel Jamie Gorelick, has not yet been approved by the Senate.

Reno said she has not decided who will replace Hubbell and does not know when his resignation will become effective. Hubbell had served as the main link between the Justice Department and the president, but Reno denied that his departure would affect Justice-White House communications.

Hubbell's responsibilities also included civil rights, antitrust and immigration policy.

In his statement, Hubbell insisted that the dispute with his former employer is unrelated to the Whitewater case, in which the Rose Law Firm played a role, and unrelated to the question of whether the Clintons improperly used their influence to try to help the ailing real estate development.

Hubbell said it was "unfortunate that private issues between me and my firm have been cast, by some, as being part of a broad political net called Whitewater. . . . These private issues have nothing to do with Whitewater," he said.

Questions have been raised as to whether the Rose Law Firm behaved properly in representing first Madison Guaranty Savings and Loan and then the Resolution Trust Corp., after it took over the failed thrift. Whitewater special counsel Robert Fiske has subpoenaed documents relating to the cases.

Although Hubbell said Whitewater was a separate matter, Justice Department sources said privately that the associate attorney general felt pressured by the hue and cry surrounding that case.

When news of the Rose firm's investigation into Hubbell's spending first

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broke earlier this month, Reno suggested the matter was a minor query on some past expenses. She insisted Hubbell had done nothing wrong. Reno Monday conceded she did not know the details, but continued to defend him.

"I don't believe he did a thing wrong, and I think ultimately that that will be clear to everyone," she said.

Later she added, "I don't have any knowledge of the facts. I base it on my judgment of his character."

GRAPHIC: PHOTO; PHOTO: Webster Hubbell.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 21, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are thirty-three (33) news articles from Nexis, relating to Madison Guaranty, covering the period March 18-21, 1994.

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LEVEL 1 - 1 OF 33 ITEMS

The Associated Press

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March 21, 1994, Monday, AM cycle

SECTION: Washington Dateline

LENGTH: 289 words

HEADLINE: Hale To Enter Plea In Whitewater Investigation

DATELINE: WASHINGTON

BODY

A former judge who has linked President Clinton to a questionable loan in the Whitewater affair apparently has reached a plea agreement and will avoid trial.

David Hale - who is under indictment on four felony charges - will enter a plea Tuesday in federal court, said an individual familiar with the case, speaking on condition of anonymity.

NBC News, which initially reported the agreement Sunday evening, said the guilty plea is part of a deal in which Hale has agreed to tell a federal grand jury all that he knows about Clinton's involvement in Whitewater.

Hale is scheduled to go on trial March 28.

Hale has alleged that he was pressured eight years ago by then-Gov. Clinton to make a $ 300,000 loan to Susan McDougal, a business partner of the Clintons in the Whitewater real estate venture.

The federally backed loan went to Mrs. McDougal's public relations company and Hale says some of the proceeds wound up in Whitewater.

Clinton has denied pressuring Hale and says he doesn't recall anything about the loan.

A guilty plea by Hale would expedite the Whitewater investigation of special prosecutor Robert Fiske, who is examining the Clintons ties to the failed Madison Guaranty Savings and Loan, owned by Susan McDougal's husband James.

A guilty plea by Hale would clear the way for him to begin testifying before a federal grand jury in a matter of days.

A trial, which could take a month, also could have led to embarrassing public disclosures for the Arkansas political establishment, including the Clintons.

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At a pre-trial hearing this month, a lawyer said there would be testimony in the Hale case that proceeds from "bogus loans", went to important political figures. The lawyer did not elaborate.
LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 21, 1994

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LEVEL 1 - 2 OF 33 ITEMS

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Los Angeles Times

March 20, 1994, Sunday, Home Edition

SECTION: Opinion; Part M; Page 1; Column 1; Opinion Desk

LENGTH: 1078 words

HEADLINE: THE SMALL-STATE PRESIDENT;
TO UNDERSTAND ROSE FIRM, THINK 'POLITICAL MACHINE'

BYLINE: By Ben Joravsky, Ben Joravsky, a staff writer for the Chicago Reader, is the author of Race and Politics in Chicago (CRS Press).

DATELINE: CHICAGO

BODY

It's been clear since the first whiff of Whitewater wafted north from Little Rock, Ark., that what we have here is not so much a scandal as the death of a Great Political Machine.

Obviously, this Machine's a little different than most, at least in appearance -- not a fedora or pinky ring in this bunch. Still, the tell-tale signs are there: You've got a cast of characters nestled together for far too long in the insulated confines of power. For 10 years, their friend, Bill Clinton, was governor. And for 10 years, they ran Arkansas state government. They enforced the laws and doled out contracts and awarded jobs and sat in the leather-bound, swivel chairs, gavels in hand, of state regulatory boards and commissions at their command. Few dared challenge them. Those who did were banned from the kingdom.

It turns a few heads, untempered power. Those so blessed easily conclude that their power is like the divine right of kings. There's nothing they can't do, no wrong they can't fix.

Each day, the papers bring new tales of their machinations. Vincent W. Foster Jr., Beverly Bassett Schaffer, James B. McDougal, Susan McDougal, Dan R. Lasater, James B. Blair and David Hale -- if they didn't work for or with the state, they worked for or with the Rose Law Firm, Hillary Rodham Clinton's old firm. Or maybe they were somehow linked to Madison Guaranty Savings and Loan, the failed S&L owned by McDougal, the Clintons' partner in the Whitewater Development Corp., a vacation-home development deal that also went bust.

Did I mention Webster L. Hubbell? Mayor of Little Rock, state Supreme Court justice, partner at Rose -- this guy had it made. A few days after the 1992 election, he was pictured with the President-elect, sitting in a golf cart on a golf course at some exclusive, all-white country club. Clinton's chomping on a sandwich. Hubbell's chortling. A couple of good old boys, running the show.

Hubbell went with the Clintons to Washington, but recently he had to step down from his Justice Department job on account of an embarrassing feud over

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legal fees he's been having with his old partners at Rose. Now there's a dispute that never would have surfaced had the Clintons stayed in Little Rock. Clinton could have settled it over a game of golf, appointing someone to a state commission, if that's what it took.

But that's the way it goes with Machines. The Big Boss dies or goes to jail or leaves town or otherwise gets distracted, and everything falls apart. Old friends turn to foes. Long-simmering envies and resentments boil over. There's always someone with a grudge, someone feeling slighted. The first sign of weakness brings a batch of prosecutors, subpoenas in hand, and soon everyone's ratting. Of the turmoil engulfing Rose, one Arkansas lawyer recently said: "They are not a firm but an association of lawyers who don't want to lose money. And they are willing to turn on each other to do it."

The Clintons say they've committed no crimes. They say the whole Whitewater affair has been distorted and exploited by ideological enemies determined to stymie the drive for mandatory national health insurance.

Could be. These things have happened before. In 1929, Big Oil rumbled with rage when Louisiana Gov. Huey P. (Kingfish) Long proposed to tax oil production. They primed legislators with liquor, women and cash and masterminded a call for the governor's impeachment on various charges of corruption. It almost worked -- except Long got enough legislators to sign a pledge vowing to vote against impeachment regardless of the evidence. Afterward, to show his thanks, Long took his boys to a coastal resort, fed them lobsters and got them drunk.

Of course, old Kingfish is a tough act to emulate. He was a big-time Boss, and he ran a mighty Machine. He built highways, hospitals and schools, dams and bridges. Unlike Clinton, he ran his state even after he went to Washington. For two years, Long was governor and senator. His reign might have lasted forever, except he was shot -- and even then his Machine rumbled on for another 25 years under the aegis of his younger brother, Earl.

In their day, the Longs were rivaled only by Kansas City's Tom Pendergast, whose Democratic organization was so resourceful it once squeezed 20,000 votes from a district of fewer than 20,000 people. Pendergast diversified. He built a business empire of hotels, taxicabs and race tracks -- enterprises regulated by the very state officials who owed their jobs to him. It was a neatly woven system that worked well -- at least for Pendergast.

It collapsed, legend has it, after a turn-coat flunky, lips loosened by liquor, stayed late in a bar, babbling about a political "fix." The feds got wind of the scam and launched an investigation. Eventually, Pendergast spent several months in Leavenworth for failing to pay taxes on thousands of dollars in payoffs he received from insurance companies.

Here in Chicago, we've made peace with our Machine, having seen it rise from the grave at least twice in the last few years. Mayor Richard J. Daley built the thing -- or at least honed it -- and when he died in 1976, everyone figured the Machine would go with him. Sure enough, in 1979, voters elected Jane M. Byrne as their mayor -- a fiery maverick who called the Machine a malicious old monster run by an "evil cabal" of greedy aldermen.

Once in office, however, Byrne cozied up to the monsters she had once

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denounced. Again, voters revolted, replacing Byrne with Harold Washington, who vowed to dance on the Machine's grave.

Funny thing about Machines, they're more resilient than you think. Look at Earl Long. The voters returned him to office until the day he died. They might have kept on electing him after that, except no one bothered to put his name on the ballot. Even Pendergast had the last laugh, when Harry S. Truman, his protege and defender, was elected President.

As for Chicago, the Machine outlasted even Mayor Washington. He died in 1987, just a few months into his second term. Two years later, the voters elected Richard M. Daley, the old Boss' boy. At first, a few anti-Machine stalwarts resisted. But not so much anymore. Old reformers and anti-war activists, who condemned the father, now bow and scrape before the son. They attend his fund raisers. They laugh at his jokes. If they're well-behaved, Daley appoints them to city commissions and boards.

Somewhere, the old man must be laughing.

GRAPHIC: Drawing, VAL MINA / for The Times

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 21, 1994

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LEVEL 1 - 3 OF 33 ITEMS

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The New York Times

March 20, 1994, Sunday, Late Edition - Final

SECTION: Section 1; Page 1; Column 1; National Desk

LENGTH: 1408 words

HEADLINE: At Home in Arkansas, Many Feel Under Fire and Not Understood

BYLINE: By PETER APPLEBOME, Special to The New York Times

DATELINE: LITTLE ROCK, Ark., March 18

BODY

Just as Arkansas basked in the reflected glory of Bill Clinton's election as President 16 months ago, it is stewing and reeling to the same degree today because of the unfolding story of Whitewater and the travails of some of Mr. Clinton's home-grown appointees.

On the human level of lives shattered or turned upside down, and on the larger level of the state's image and reputation, events in Washington are turning this capital city into an aggrieved, edgy reflection of the giddy place that savored the spotlight during Mr. Clinton's campaign and after his election.

Many people here contend that much of the news reporting about Whitewater reflects a lack of understanding of the politics and manners of a small state with a tiny cadre of major players who all know one another, if only because there are so few of them.

Whatever the case, the joy and hope that saw tens of thousands of people from this Southern state stream into Little Rock for Mr. Clinton's victory celebration on Nov. 4, 1992, and dozens of Arkansans head triumphantly off to big-time jobs in Washington, have been replaced by a somber mood.

"It's gone from a feeling of excitement and optimism to a feeling of bewilderment, amazement and consternation," said Jeff Rosenzweig, a local lawyer.

Over the last few months, President Clinton and his wife, Hillary, have faced unrelenting scrutiny over their finances. Last July, Vincent W. Foster Jr., the deputy White House counsel who was Mrs. Clinton's law partner and one of the most admired lawyers in Little Rock, killed himself.

This week, Webster L. Hubbell, who had been both Mayor of Little Rock and a State Supreme Court justice, resigned as the No. 3 person at the Justice Department to deal with accusations that he had overbilled the Rose Law Firm, where he, Mrs. Clinton and Mr. Foster had been partners.

"Some of what's happened has been sad beyond belief," Mr. Rosenzweig said. "And people are getting hesitant to comment publicly because no one knows what

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to expect next."

No state in recent memory has had as much of its soul invested in a Presidency as has Arkansas. Partly, that is a reflection of Mr. Clinton's 12 years as Governor, which left him with personal relationships with virtually everyone of importance and many ordinary citizens. And partly, it reflects the hope that Mr. Clinton's election would erase the Dogpatch stereotypes of a state that George Bush derided in the campaign as "the lowest of the low."

This is, after all, a state so small that a visitor can wander into a Little Rock restaurant and not be remotely surprised when the first person he meets, Houck Reasoner, worked on the Presidential campaign, knows every Arkansan in Washington, lived next door to the Clinton aide Bruce Lindsey and is the son of Chelsea Clinton's piano teacher. Oh yes, the piano teacher gave Chelsea her cat, Socks.

Some people with no interest in or connection to politics also voice resentment. "We're getting dumped on because we're from Arkansas," said Larry Foshee, night manger of Slick Willy's bar, whose name preceded the nickname stuck on Mr. Clinton by his detractors. "I'm getting sick of hearing about it. The only stations I can watch anymore are Nickelodeon and ESPN."

Buzzards in Little Rock?

Instead of the youthful army of campaign staff members and offbeat political celebrities like James Carville, there is now a permanent presence of grim-faced lawyers working with Robert B. Fiske Jr., the special prosecutor appointed to look into the Clintons' investment in the Ozark mountain real estate development known as the Whitewater Development Company.

Instead of the barroom gossip of who was going to get what job, there are dark rumors about who may be the next to come home.

To be sure, Whitewater is not an obsession for everyone in a state where politics has never been a consuming passion the way it is in places as different as Washington, Chicago or Louisiana. And most Clinton loyalists say Arkansas has been under the microscope for so long that the current scrutiny is nothing new and will not add up to much.

"Governor Clinton announced for President in October 1991, and there has been significant media attention on our state from that point on," said Skip Rutherford, a former Clinton campaign official who works in public relations here. "There have been high points, and there have been low points. But after two and a half years, we're fairly well used to it."

But others are seething over what they see as unremittingly hostile, often ill-informed publicity. "It's horrible, it's horrible," said one leading businessman, who would only speak anonymously. "Every time I think we've hit a low point from which we might begin to rebound, it gets worse. And I think there will be more. You've got East Coast people coming with a preconceived notion that they won't let go of. It's this century's version of carpetbagging."

When President John F. Kennedy filled his inner circle with Irish politicians from Boston and made his brother Attorney General, people here say, it was depicted in terms of fierce family loyalty and deep political roots. When Bill

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Clinton brings Arkansans with him, it is portrayed as cronyism.

People here say they are amazed that outsiders see something unsavory in the informal way that state regulators express themselves. They note that much has been made of the "Dear Hillary" that began a letter to Mrs. Clinton from Beverly Bassett, a state banking regulator. The letter concerned the Madison Guaranty Savings and Loan Association, headed by the Clintons' partner in Whitewater, James B. McDougal.

"I have both sent and received very formal letters, antagonistic, dismissive or whatever, that start, 'Dear Bill, Dear Joe, whatever,' " said Mr. Rosenzweig. "It's just the way it's done here."

Lots of Connections

Similarly, many people say accounts of Mr. Clinton's ties to the poultry industry are vastly oversimplified and show a lack of understanding of how Arkansas politics works. Some say that the industry, like the leading industry in any state capital, is enormously powerful and politically connected, and that any favorable treatment it received preceded Mr. Clinton and will undoubtedly last long after he is gone. The Arkansas House Speaker, L. L. (Doc) Bryan, served for years as a top official with the state's poultry association while he was in the Legislature.

Fleming Stockton, owner of a downtown restaurant, said: "I have always been one of Clinton's biggest detractors, but this all seems to have been blown utterly and totally out of proportion. Why don't you let the man do the job he was elected to do?"

Some of Mr. Clinton's many critics in Arkansas say plumbing state politics misses the point, that Whitewater is about the Clintons, not about Arkansas.

"The truth of the matter is, it doesn't matter what part of the country you're from if you can't be forthright and truthful," said former Gov. Frank White, who defeated Mr. Clinton in 1980 and then lost to him two years later.

But other critics say the President's problems do reflect the clubby ad hoc politics of a state with no substantial Republican presence, a Legislature that meets only every other year for 60 days and indifferent press coverage.

"Arkansas is controlled by a few powerful people that call the shots," said Marty Ryall, executive director of the Arkansas Republican Party. "Every press agency in the world has called wanting to know if we have Clinton's campaign reports back in '84 and '82, which we don't. Those things are destroyed. Arkansas is the only bureaucracy in the world that destroys more paperwork than it creates."

Friends and foes of the Clintons tend to agree on two things. The first is a recognition that Little Rock is a very different world from Washington, and that Mr. Clinton erred badly with his bumbling response to Whitewater.

"We should have learned from the Jimmy Carter years that you have to hire the Washington people like Bob Strauss, if you want to get on up there," said John Stanley, Mr. Reasoner's business partner.

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"I'm a Republican," said Mark D'Auteuil, a lawyer. "But I don't know where the notion comes from that Washington is somehow holier than the rest of the country, much less Arkansas. If all the allegations in Whitewater are true, if you put everything in its worst light, none of it's any worse than the politics of Washington."

GRAPHIC: Photo: Houck Reasoner knows all about the personal nature of Arkansas politics. Mr. Reasoner, left, worked on President Clinton's campaign, and his mother taught piano to Chelsea Clinton. With him in Little Rock was his business partner, John Stanley. (Photographs by Rollin Riggs for The New York Times) Some Arkansas residents with little interest in politics resent the attention the state is getting. Larry Foshee, the night manager at Slick Willy's bar, says he is "getting sick" of the Whitewater affair. (pg. 26)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 20, 1994

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LEVEL 1 - 4 OF 33 ITEMS

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The New York Times

March 20, 1994, Sunday, Late Edition - Final

SECTION: Section 1; Page 24; Column 4; National Desk

LENGTH: 1513 words

HEADLINE: Motives of Quiet Congressman Who Is Making Much of Whitewater's Noise

BYLINE: By DAVID E. ROSENBAUM, Special to The New York Times

DATELINE: WASHINGTON, March 19

BODY

In a city where bombast and pomposity are the rule, Representative Jim Leach of Iowa is quiet and modest.

In a Congress riven by partisanship, he has sided with Democrats over the years almost as often as he has lined up with his fellow Republicans.

So it seems out of character that Mr. Leach is now President Clinton's main antagonist in Congress on the Whitewater case. He not only has his name on front pages and on evening news programs these days but he also has attacked the President on "Donahue" and "A Current Affair."

It seems almost as if Madonna were cast to play Queen Victoria or Shaquille O'Neal had started shooting jump shots from behind the 3-point line.

But it seems out of character only to people who do not know Mr. Leach -- to those outside the Capitol, where he enjoys almost universal respect, and his Congressional district in eastern Iowa, where he has held a safe seat for the last 18 years.

Those who know him best say Jim Leach is doing exactly what they would have expected on the question that has guided his political life: public ethics.

Preferred Ethics to Dream Job

Many of them disagree with him. None question his motives.

After all, this is a man who resigned from the Foreign Service in 1973 on the eve of his dream assignment in order to protest President Richard M. Nixon's dismissal of Archibald Cox, the Watergate special prosecutor, in the Saturday Night Massacre.

This is a Congressman who sharply criticized a President of his own party, Ronald Reagan, over the Iran-contra affair and one who told his colleagues to their faces that they were responsible individually and collectively for the savings and loan mess because they had abandoned the national interest in favor

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of regional and industry concerns.

This is a politician who has never accepted a campaign contribution of more than $500 or taken a dime from political action committees or people who live outside Iowa.

He is fond of repeating an adaptation of Barry M. Goldwater's famous line about moderation and extremism. "Moderation in the pursuit of truth is no virtue," Mr. Leach says in his public speeches. "Vigilance in the defense of public ethics is no vice."

At the beginning of last year, Mr. Leach became the top-ranking Republican on the House Banking Committee, a position that gave him a small staff and a responsibility to be his party's spokesman on issues before the committee. By summer, he had the staff investigating the failure of Madison Guaranty, the Arkansas savings and loan owned by the Clintons' business partner in the Whitewater real-estate venture, James B. McDougal. The collapse of Guaranty cost the Government $60 million.

'I Feel So Strongly About This'

In an interview in his office last week, Mr. Leach explained his interest this way: "I am fulfilling my obligations as I see them under the Constitution. The Constitution gives Congress oversight accountability of the executive branch. And I will go further, because I feel so strongly about this I can't stand it. It's the responsibility of all parties out of power, all minority parties in all Western democracies, to hold accountable the executive branch of the governing party when there are breaches of public ethics or public law. Not to fulfill that responsibility is a dereliction of duty."

Mr. Leach, who speaks so softly that you have to strain to hear him even when he is next to you on the couch, insisted he had no interest whatsoever in harming President Clinton or his Presidency.

"On the grand scope of public scandals, this is a bump," he said, referring to Whitewater. "But it has mountainous implications for public ethics."

Seeking Full Disclosure

He continued: "My argument is that this is a full-disclosure issue. I've tried to walk the line between public embarrassment, which I think is deserved, and either Presidency-toppling or Presidency-debilitating, which are not deserved.

"I thought initially it was a one-to-three-week issue, that you'd have a hearing and then put it behind us. Now the great challenge is how you bring the issue to resolution. I will be steadfast in seeking full disclosure. But once there is disclosure, I will do my best to put it behind."

Out of the mouth of almost any other politician that would sound self-righteous, and at the White House, Mr. Leach is seen as a man on the make, who wants to rise by stepping on the President's back.

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But politicians from across the political band who know him well say Mr. Leach's explanation is the full story of why he is challenging Mr. Clinton.

Praise From an Opponent

One longtime political opponent, Dave Nagle, a former Democratic Party chairman in Iowa who once served in Congress from a district adjacent to Mr. Leach's, said: "For Jim, this is completely in character. He has a reputation for impartiality, for listening to both sides, for integrity, for being reasonable. So when he takes on something, people have a tendency to listen. When he says it, it lends instant credibility to it. You're inclined to believe that he honestly believes, even if you think he's mistaken, that he's right."

Mr. Leach, who grew up in an affluent family in Davenport, said he entered politics almost by accident. By the eighth grade, he said, he knew he wanted to be in the Foreign Service, and he went to Princeton University and graduate school at Johns Hopkins with that in mind.

At College in 60's, He Studied

He graduated from Princeton in 1964, the year of the Free Speech Movement at Berkeley, the beginning of a decade of monumental change on campuses from coast to coast. But Mr. Leach was a bookworm, a Russian studies major and a 147-pound wrestler, and he had little interest in popular culture or student politics.

By the fall of 1973, Mr. Leach was an experienced Foreign Service officer. Fluent in German and Russian, he had just received what he felt was "the best assignment possible," to be an aide to the United States Ambassador in Moscow. He was at home on a brief leave to try to handle some urgent problems in his family's petroleum products business when the Saturday Night Massacre occurred.

"That night," he said, "I sent a telegram to Henry Kissinger with my resignation. I really felt that what that firing was all about was the President putting himself above the law."

In a Democratic District

Three months later, he said, the Republican Party in Davenport persuaded him to run in a Congressional race he had no chance of winning. No one else wanted the nomination. Indeed, he lost to a popular Democrat. But two years later, the national economy had turned sour, and Mr. Leach ran again and won. He has never been seriously challenged since, although his district tends to vote Democratic in other races.

This sounds too pat. The man had little interest in politics, who resigned on a matter of principle from a job he loved, who announced his candidacy for Congress three months later. Surely he must have had running for office in the back of his mind.

No, Mr. Leach said. He really did not. And politicians in Iowa who remember the times say everything happened just the way Mr. Leach recalls it today.

A Moderate Stripe

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In Washington, Mr. Leach sailed under the banner of Jacob K. Javits, Nelson A. Rockefeller and other liberal-to-moderate Republicans who were influential in the 1960's and 1970's. But Mr. Leach had come aboard too late. Ronald Reagan had become the party's general, and the right wing dominated his troops.

So Mr. Leach, part of a small minority within a minority, confined himself legislatively mainly to banking and foreign policy issues that do not tend to divide along party or ideological lines. His most noteworthy achievement in Congress up till now was to lead the fight to knock out of the savings and loan bailout legislation provisions that gave special benefits to Citicorp, Merrill Lynch and other large financial institutions.

Since taking on the Whitewater case, Mr. Leach's tone has sharpened.

He promised a "blockbuster" if he has the chance to question witnesses in public, without saying what it would entail. He gave a speech in Chicago this month in which he compared Bill Clinton to Michael Milken, the financial wizard who went to jail for fraud. Last week, he told reporters he had sent a confidential memorandum to the special prosecutor about the way bank regulators in Kansas City were being "gagged" by their superiors.

To the suggestion that this talk is rather intemperate for a man with a reputation for understatement, Mr. Leach acknowledged that his voice now has "a little more of a Republican Party clip to it than I'd evidenced before."

He spoke as if his new voice were a matter he had lain awake nights worrying about: "One of the really difficult roads to walk is that between reflecting individual conscience and that of being a member of a team. I always think the first outweighs the second. But the second is not unimportant. We govern through teams in America. It's important to be loyal to teams."

GRAPHIC: Photo: "Moderation in the pursuit of truth is no virtue," Representative Jim Leach said. "Vigilance in the defense of public ethics is no vice." (Stephen Crowley/The New York Times)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 20, 1994

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LEVEL 1 - 5 OF 33 ITEMS

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March 20, 1994, Sunday, Late Edition - Final

SECTION: Section 4; Page 16; Column 1; Editorial Desk

LENGTH: 735 words

HEADLINE: Why Whitewater Matters

BODY

From President Clinton on down, important Democrats would have us believe that the Whitewater mess is a confection spun by Republicans with little else to talk about and media types with little else to do. But there are reasonable people, including many who wish Mr. Clinton well, who believe that Whitewater has raised serious questions that deserve serious inquiry.

On Thursday, the Senate voted unanimously to hold public hearings, "structured and sequenced" so as not to interfere with the Whitewater special prosecutor, Robert Fiske. House leaders, who have been stonewalling any hearings, should follow suit.

Representatives Dan Rostenkowski and Lee Hamilton, two influential Democrats, have now asserted a Congressional interest in the matter. In this they agree with Representative Jim Leach (and that improbable champion of government ethics, Senator Alfonse D'Amato) that Congress has the right to hold hearings as long as they do not undermine Mr. Fiske.

Indeed, Congress has a particular responsibility to explore possible abuses of power by the White House and the malfunctioning of government agencies that are supposed to protect the taxpayer.

Whitewater raises at least two important policy issues that fall within the oversight authority of the House and Senate Banking Committees. One involves the integrity of the banking system, the other the integrity of its regulators.

The banking issue arises from the 1989 collapse of Madison Guaranty, an Arkansas savings and loan. Madison's failure cost taxpayers $60 million in bailout funds, a huge loss for a small institution.

About Madison, there are several questions. One is whether a state regulator appointed by Governor Clinton ignored Madison's shoddy lending practices because it was owned by the Clintons' political ally, James McDougal, who was also the Clintons' business partner in the Whitewater Development Company. Another is whether some of Madison's funds were used to retire a $50,000 debt incurred during Mr. Clinton's 1984 re-election campaign for governor or otherwise benefited the Clintons. A third is whether depositors' funds or campaign funds were used to shore up Whitewater.

Even if all the answers turn out to be yes, Mr. Clinton himself may have been an innocent bystander. But Mr. Fiske and the relevant committees of Congress

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have a perfect right to find out what Madison was up to, both as a scandal in and of itself and as an illustration of the rot in the soul of the savings and loan system during the careless 1980's.

Any investigation of Madison will inevitably touch on the Whitewater Company itself, not only because Madison money may have been funneled to Whitewater but also because the Clintons owned half the business. Did the Clintons pay the same amount for their half-share as Mr. McDougal paid for his? How much money did Whitewater lose? These questions are important, at least to Mr. Fiske, because they bear on whether the Clintons received gifts or claimed undeserved tax deductions in connection with Whitewater.

The second big cluster of issues involves the integrity of the regulators who are supposed to protect the public against bad banking practices. The Treasury Department, through the Resolution Trust Corporation, is responsible for cleaning up the savings and loan mess. A few weeks ago, Treasury officials revealed that they had given former White House counsel Bernard Nussbaum and other senior aides "heads up" briefings on the R.T.C.'s own investigation of Madison.

Given the Clintons' close relationship with Madison's owner, Mr. Fiske wants to know why the meetings were held and whether they compromised the R.T.C.'s independence -- a polite way of asking whether justice was obstructed.

Mr. Leach has also expressed concern that the Administration may have improperly quashed a field investigation by the R.T.C.'s Kansas City office. And on Wednesday, Stephen Labaton of The Times reported that Treasury officials rejected a request by Brian McCormally, a senior investigator in the Office of Thrift Supervision, to open a parallel probe of Madison. Mr. Fiske and the banking committees will obviously want to know why the Clinton Administration told Mr. McCormally to go away.

There are other intriguing aspects to Whitewater. But these policy issues alone make it a far weightier matter than the "bunch of foolishness" James Carville says it is.

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LEVEL 1 - 6 OF 33 ITEMS

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March 20, 1994, Sunday, Final Edition

SECTION: FIRST SECTION; PAGE A11

LENGTH: 776 words

HEADLINE: Ex-Partner Says Clintons Refused to End Land Deal;
McDougal: Hillary Clinton Blocked Transfer

SERIES: Occasional

BYLINE: Howard Schneider, Washington Post Staff Writer

DATELINE: LITTLE ROCK, Ark.

BODY

President Clinton's former partner in the Whitewater Development Corp. said last week that Clinton was ready to get out of the investment in 1986 but that Hillary Rodham Clinton insisted on staying in the land venture.

James B. McDougal, in an interview, described an angry conversation in December 1986 between Hillary Clinton and McDougal's then-wife Susan, who went to the Arkansas governor's mansion to ask that the Clintons sign documents transferring their interest in the 230-acre Whitewater project to the McDougals. The Clintons owned a half-interest in the venture.

Although then-Gov. Clinton had told the McDougals he was willing to sign the documents, Hillary Clinton refused, saying she hoped to eventually use the Whitewater investment to pay for her daughter Chelsea's college education, McDougal said.

At the time, the McDougals were under federal scrutiny for their involvement in Madison Guaranty Savings & Loan, which failed in 1989 at an estimated taxpayer cost of $ 60 million.

As controversy over Whitewater has heightened, a key question for the Clintons has been why they remained in the land venture with McDougal long after he came under federal inquiry for unsound business practices. He was tried and acquitted of bank fraud charges in 1989.

McDougal's account is at odds with the Clintons' depiction of themselves as "passive investors" in Whitewater who were unable to divest themselves of their interest in the project until December 1992, when they sold their shares to James McDougal for $ 1,000. Senior White House adviser Bruce Lindsey said last week that "Mrs. Clinton has no recollection of ever making any such statement to Susan McDougal."

McDougal said he and Susan tried to take over the Clintons' interest in the corporation so they could take advantage of tax losses that had accumulated

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since 1978, when the two couples bought the Ozarks property for a resort development.

When Hillary Clinton insisted on staying in the project, McDougal said, cautioning that his account of the meeting was obtained secondhand from his wife, "I found it rather laughable" because the land development company never had been profitable.

According to a report on Whitewater's finances issued during the 1992 presidential campaign, the company in 1986 had virtually no operating expenses. It owed between $ 50,000 and $ 60,000 on its original mortgage, but was due to receive much more than that -- about $ 100,000 -- from lot purchasers who were making monthly payments to the company. Apparently without telling the Clintons, the McDougals a few months earlier had purchased 810 acres of land from the International Paper Co. and put the property and a $ 440,000 mortgage in Whitewater's name. Soon afterward, the property was transferred to another McDougal corporation, the Great Southern Land Co.

That transaction has come under scrutiny by special counsel Robert B. Fiske Jr., who is investigating Whitewater and its ties to Madison.

Susan McDougal, through her lawyer, said she wants to make no comment "about what the Clintons did or did not do."

Records show Hillary Clinton sought a power of attorney for Whitewater from the McDougals in 1988, saying she wanted to dispose of remaining properties.

Until recently, the Clintons have said they lost about $ 69,000 in the venture. In an interview last week, Hillary Clinton said she did not claim the losses on tax returns because she did not have proper documentation and said the couple's tax liability may have been underestimated. In remarks Friday, President Clinton said any mistakes on their tax returns "certainly were not intentional" and that the couple is prepared to pay back taxes if necessary.

McDougal, in recent interviews, has said he believes the Clintons did nothing improper in the Whitewater investment. But he said he turned over corporate records to the Clintons and has been unable to review the records.

He also has said the Clintons invested far less in the corporation than they have claimed. According to McDougal, the Clintons, though 50 percent owners of Whitewater, put up only around $ 13,000 for the project -- far less than McDougal invested and a small fraction of what was needed in Whitewater's early years to support principal and interest payments on the $ 200,000 in bank loans taken out to buy the land.

McDougal repeated that figure in the interview last week, saying the couple made the contributions in 1978 and 1979 but put in nothing after that.

McDougal said he could not speculate on why Hillary Clinton chose to remain in the investment. "I don't psychoanalyze the First Lady," McDougal said.

GRAPHIC: PHOTO, JAMES B. MCDOUGAL.

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LEVEL 1 - 7 OF 33 ITEMS

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March 20, 1994, Sunday, Final Edition

SECTION: EDITORIAL; PAGE C7

LENGTH: 907 words

HEADLINE: The Conscience of Congress

SERIES: Occasional

BYLINE: David S. Broder

BODY

The controversy over the need for congressional hearings on the Whitewater case has gone beyond the merits of that mini-scandal to a more serious test of congressional-executive relations.

It took on that dimension last week, when Rep. Lee Hamilton (D-Ind.) joined Rep. Jim Leach (R-Iowa) in saying that the time had come for lawmakers to examine in formal hearings whether there had been any abuse of power in the tangled story of the real estate-savings and loan dealings involving President Clinton and First Lady Hillary Rodham Clinton and some of their Arkansas friends.

I have been -- and remain -- skeptical that there is anything more than embarrassment for the first couple at the end of the Whitewater trail. But Hamilton and Leach are not people whose views on matters of this kind can be brushed aside. As much as any two people on Capitol Hill, they represent the conscience of Congress on this sort of issue.

Leach has been pressing hard for the House banking committee to exercise its oversight function on the Resolution Trust Corp. handling of Madison Guaranty Savings and Loan, the outfit that bankrolled part of the Whitewater venture before it went bust. Leach, the ranking Republican on that committee, has been stonewalled by Chairman Henry B. Gonzalez (D-Tex.).

The Democrats are messing with the wrong guy. Leach is as dogged as he is independent. Twenty years ago, as a young Foreign Service officer, he resigned his commission because he felt he could not in good conscience represent a government whose head -- Richard Nixon -- was obstructing justice. Leach was also one of the first members of Congress to blow the whistle on the bipartisan coverup of the 1980s savings and loan scandals. He is not a man whose words should be dismissed.

Hamilton enjoys the same reputation. Almost 30 years ago, as a freshman in the House, he voiced a warning that President Lyndon Johnson -- then at the height of his power and eager to pass every last bit of Great Society legislation -- was straining the political and constitutional bounds of his office.

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Hamilton was one of the Iran-contra investigators who laid out the sordid story of that chapter of U.S. diplomatic history. He showed his disdain for political opportunism two years ago, when he conducted an investigation of charges that George Bush had participated in secret meetings with Iranian agents aimed at delaying the release of the U.S. hostages until after the 1980 elections. Whatever hopes other Democrats had entertained of embarrassing the president four months before Election Day 1992 ended when Hamilton bluntly said that "all credible evidence" contradicted that claim.

Hamilton said in a statement last week that "when a complicated issue such as the Whitewater matter is affecting the president's agenda, he must get all the facts out quickly and completely." Congressional hearings would do that, he said.

Clinton responded that Hamilton should talk to special counsel Robert B. Fiske Jr., who has all aspects of Whitewater and its handling by the White House under scrutiny. Hamilton told me in a later interview that Clinton seemed to think "it should be dealt with on a criminal liability level, but I'm thinking much more broadly. There's a question of confidence -- the perception people have about him and the way his presidency works."

In a separate interview, Leach argued that it is also a question of "legislative integrity," the willingness of the Democratic-controlled Congress to exercise its oversight responsibilities. In taking the argument in this direction, Leach has raised an issue that is, as he says, "far more important than any happenstance, any impropriety or any embarrassment involving the president before he took office."

As this is written, Gonzalez has rejected Leach's list of witnesses for the oversight hearing on the RTC, which the committee is supposed to have on Thursday. Gonzalez also has instructed executive agencies to ignore Leach's requests for information on Madison Guaranty -- a step Leach calls unprecedented.

Leach says that if he is permitted, he will present evidence suggesting that employees in the Kansas City field office of RTC were "gagged" and "possibly coerced" by higher-ups to minimize the Clintons' connection with Madison Guaranty. The merits of this charge remain to be determined, but the seriousness of the alleged abuse and Leach's reputation for probity make the Democrats' obduracy hard to defend.

Nor is this an isolated incident. Rep. William F. Clinger Jr. (R-Pa.), the ranking minority member of the House Government Operations Committee, has a long list of topics on which he has been refused information by the White House. They range from the workings of Hillary Rodham Clinton's task force on health care to the actual size of the White House staff to the firings in the White House travel office. On each one, he was roadblocked by recently resigned White House counsel Bernard Nussbaum.

Leach draws the political point when he links the effects of "single-party control of state government" in Arkansas to "single-party control of Washington" by the Democrats today.

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The Washington Post, March 20, 1994

During the campaign, Clinton and the congressional Democrats argued that single-party control would mean greater accountability and an end to gridlock. They are courting political danger if their behavior leads voters to believe it really translates into secrecy and coverup.

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LEVEL 1 - 8 OF 33 ITEMS

The Associated Press

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March 19, 1994, Saturday, AM cycle

SECTION: Domestic News

LENGTH: 940 words

HEADLINE: Low-Level Political Player Emerges as Key in Whitewater Affair

BYLINE: By PETE YOST, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

Mysterious transactions between Arkansas businessmen. Loans people say they never received. It's no wonder David Hale finds himself in the thick of the Whitewater investigation.

"I'm no angel," says the former Little Rock municipal judge, who maintains that he ran his "little loan company" at the behest of the Arkansas political establishment.

Hale's trial for conspiracy to defraud the Small Business Administration and three counts of lying begins March 28 - the first court case for Whitewater special prosecutor Robert Fiske.

Hale injected himself into the Whitewater affair last fall when - after he was indicted - he publicly accused President Clinton of pressuring him into making an SBA-backed loan in 1986 to Susan McDougal, one of the Clintons' partners in the Whitewater land venture.

Hale acknowledged he had no hard proof of Clinton's pressure. The White House dismissed it as an unfounded accusation made by a desperate defendant seeking a deal with prosecutors.

Clinton said he couldn't recall as Arkansas governor ever discussing such a loan with Hale.

But in the months since Hale was charged, a clearer picture has emerged of his role in a complex series of business dealings among Arkansas' elite.

Some had connections to Madison Guaranty Savings and Loan. That's the failed Arkansas S&L owned by James McDougal, the Clintons' other business partner in Whitewater, that is now at the center of Fiske's case.

Investigators are trying to determine whether some complicated transactions

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may have been used to illegally divert S&L funds for the benefit of prominent Arkansans such as the Clintons and current Arkansas Gov. Jim Guy Tucker.
McDougal, the Clintons and Tucker have all emphatically denied any wrongdoing.

Before Whitewater, few outside Little Rock would have recognized Hale. A lawyer, he spent most of his life as a bit player on the Arkansas political scene. He dabbled in the insurance business and started his SBA-backed company in 1980. Around the same time, he became a municipal judge, a position he resigned after his indictment last year.

At first, Hale appeared to have little connection to the Whitewater probe. But by unraveling the hundreds of thousands of dollars in loans his company, Capital Management Services Inc., made in the 1980s, prosecutors have discovered a cash flow to Arkansas' political elite.

Hale's company was backed by the SBA to make loans and investments for entrepreneurs who were "socially and economically disadvantaged." Under the program, Hale determined who met that definition.

A review of confidential reports Hale submitted to the SBA - obtained last week by The Associated Press - shows most of the loan beneficiaries were Arkansas power brokers or Hale business associates.

Some $ 250,000 went to companies associated with Tucker and his wife. Another $ 100,000 went from Hale's firm to Tommy Trantham, who was the president of Madison Guaranty in the late 1980s before the S&L failed at a cost of $ 47 million to taxpayers.

There was $ 300,000 to Susan McDougal. And another $ 350,000 went to Retail Liquidators, a tiny firm run by a Hale friend that operated out of a small office across the hallway from Hale.

Some of the loans were never repaid, like the one to Susan McDougal. Others have a more tantalizing history - recipients listed on Hale's books as delinquent say they returned the money.

One such loan for $ 300,000 went from Hale's company to a corporation set up by Little Rock Traffic Judge William Watt.

Watt said he formed the corporation for Hale, but that within days, Hale instructed Watt and his partner to send the money to another company.

Three years later, a loan was still listed on documents Hale submitted to the SBA as having gone to Watt and his business partner, according to court papers.

There's at least one other loan with a similar history. Hale lent $ 300,000 to a businessman named Robert McIntire in 1988. A few days after he got the check, McIntire said he was informed that Hale wanted to cancel the loan. Instead of returning the check to Hale, McIntire said he was instructed to send the money to a Little Rock businessman.

Where did the money end up?

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Hale and his attorney, Randy Coleman, have been silent as they prepare for trial. But there were strong suggestions during a pretrial hearing that Hale's defense is on a collision course with prominent Arkansans, including Clinton.

One lawyer said there will be testimony that proceeds from "bogus loans" by Hale's company went to important political figures. He didn't specify who or when.

A witness testified that Hale boasted in 1989 that then-Gov. Clinton was involved with Hale's company.

Hale also has made one other accusation involving Clinton - that some of the proceeds of the $ 300,000 loan to Susan McDougal wound up in Whitewater.

That loan went to her company, Master Marketing, which promoted the Arkansas land development projects financed by her husband's S&L. How it was actually used is still a mystery.

The crimes Hale has been charged with have nothing to do with whether the loan recipients met the SBA qualifications or what they did with the money. Rather, Hale's trial will focus on the narrower allegation that he misrepresented the amount of private capital in his company in order to qualify for SBA funding.

But Fiske has already signaled that he will be seeking answers from Hale to the earlier questions.

In court papers filed this month, Fiske said Hale will be compelled to testify before a federal grand jury and that his accusations will be "a fundamental part" of the Whitewater investigation.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 19, 1994

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The Associated Press

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March 19, 1994, Saturday, PM cycle

SECTION: Domestic News

LENGTH: 447 words

HEADLINE: Rose Law Firm to File Formal Complaint

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

Webster Hubbell has not yet officially left his Justice Department job in Washington, but his troubles back home appear to be mounting.

Hubbell's former law partners decided Friday to file a formal ethics complaint with state officials over Hubbell's billing practices, said a source at the Rose Law Firm.

Hubbell resigned his Justice Department post earlier this week amid reports of billing disputes with the Little Rock firm, where Hubbell and Hillary Rodham Clinton were partners before President Clinton took office last year.

Hubbell could not be reached for comment Friday night.

According to a Rose attorney familiar with the matter, the complaint will be filed with the Arkansas Supreme Court's committee on professional conduct, the panel that reviews the conduct of lawyers who practice in the state.

All 28 Rose partners agreed to the move, The Washington Post reported today.

The action, which has been widely expected for nearly two weeks, follows news reports that Hubbell may have overbilled clients and used firm money to pay personal expenses.

When he announced his resignation on Monday, Hubbell cited "personal issues" with Rose that he believed would have interfered with his ability to perform his government duties.

The Associated Press also reported last week that federal officials are investigating whether the Rose firm was paid twice for work on behalf of regulators in a suit involving the failed Madison Guaranty Savings and Loan Association.

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In that case, officials have said the firm appears to have twice submitted bills totaling nearly $ 30,000 in a case against the Frost Accounting Co., which audited Madison. Hubbell was the firm's lead attorney on the case.

Central to the dispute with the Rose Law Firm was Hubbell's role in a case involving his brother-in-law, Seth Ward II, and a parking meter company he owned.

Ward's company had sued a competitor in federal court over a patent dispute, but lost. On behalf of the firm, Hubbell had agreed to take the case on a contingency basis, with Ward reportedly agreeing to pay the legal fees if the case was unsuccessful.

The firm was stuck with nearly $ 1 million for unbilled legal work and expenses in the case, which stretched over several years, The Wall Street Journal reported earlier this week.

Hubbell previously acknowledged the firm had questioned him recently about billings to past clients and had asked him for documentation for certain expenses. He did not specify which cases were involved.

Current White House attorney William Kennedy and the late Vincent Foster, former deputy White House counsel, also worked at the Rose Law Firm before coming to Washington.

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LEVEL 1 - 10 OF 33 ITEMS

The Associated Press

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March 19, 1994, Saturday, PM cycle

SECTION: Washington Dateline

LENGTH: 688 words

HEADLINE: Disclosure of Second Meeting by Altman Prompts Call for Resignation

BYLINE: By LARRY MARGASAK, Associated Press Writer

DATELINE: WASHINGTON

BODY

Deputy Treasury Secretary Roger C. Altman's disclosure of a second meeting on the Whitewater case with a senior White House aide is prompting a call for his resignation by a Republican senator.

Through a spokeswoman, Altman said he has no plans to quit.

Sen. Alfonse D'Amato of New York said Friday that Altman, who also is a top regulator of the savings and loan industry, should resign because he initially concealed the contact from the Senate Banking Committee.

D'Amato, the panel's ranking Republican, released a March 11 letter in which Altman said he met with President Clinton's deputy chief of staff, Harold Ickes, and perhaps one or two others.

The New York Times reported on such a meeting in March 8 editions, but its story did not say the meeting involved Ickes, who has handled damage control on Whitewater.

Altman sent his letter to Banking Committee Chairman Donald W. Riegle Jr., D-Mich. He also wrote Riegle on March 2 and 3 about White House contacts with regulators investigating the Whitewater case, but did not mention the Ickes meeting.

All of the letters were written in order to amend Altman's testimony before the Senate panel on Feb. 24. He said then he had attended one White House meeting on the Whitewater, the name of an unsuccessful Arkansas real estate venture in which President and Mrs. Clinton were co-owners with James McDougal, the owner of a failed savings and loan now under investigation.

Among other duties, Altman is interim chief of the Resolution Trust Corp., the S&L cleanup agency taking part in that investigation. He is giving up that role at the end of this month.

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Altman said in the March 11 letter there was no discussion of the substance of the case with Ickes. He said they discussed his withdrawal from handling all Whitewater matters - an action he took after the Feb. 24 hearing.

Contacts between White House aides and S&L regulators in the Whitewater case are under investigation by special counsel Robert B. Fiske Jr. and a federal grand jury.

D'Amato said it was "inconceivable that Mr. Altman met with Mr. Ickes simply to provide notice of his recusal when the White House has no legitimate role in this matter."

"I am outraged that Mr. Altman's testimony was so incomplete that it had to be changed three times. Three strikes and you're out - Mr. Altman should resign," he added.

Treasury Department spokeswoman Michelle Smith replied, "The deputy secretary has no intention of resigning."

The RTC is investigating the connection between the failed Madison Guaranty Savings and Loan run by McDougal and the Whitewater venture, in which the Clintons and McDougal and his former wife were partners.

D'Amato said he was "deeply distressed" that Altman concealed the Ickes meeting from the Banking Committee before March 11.

In his letter, Altman said that one or two days after his "heads-up" meeting, "there was a very brief discussion on the issue of recusal. There was no discussion whatsoever of the case itself.

"The conversation lasted five minutes or less and included me and Harold Ickes of the White House staff. There may have been one or two others in the room. The purpose of both meetings was to provide notification. At neither meeting did I seek advice, nor was it given," he added.

Meanwhile, President Clinton said Friday that any mistakes on his and his wife's taxes "certainly were not intentional" and that he's ready to pay back taxes if necessary.

The New York Times reported today that the couple's private attorney, David Kendall, was conducting a review of the Clintons' Whitewater-related deductions. It said the review could be concluded as early as next week.

In a related development, the president shrugged off reports that Hillary Rodham Clinton made nearly $ 100,000 in cattle futures in the late 1970s on the advice of James Blair, a lawyer friend and longtime Clinton supporter.

"My wife and a man who's one of our best friends ... made a perfectly legal investment, made money and paid taxes," Clinton told reporters. "All the rest of it is innuendo and unsupported allegations. It was perfectly legal."

LANGUAGE: ENGLISH

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LOAD-DATE-MDC: March 19, 1994

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LEVEL 1 - 11 OF 33 ITEMS

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CNN

SHOW: Moneyweek 9:30 am ET

March 19, 1994

Transcript # 205-2

TYPE: Package

SECTION: News

LENGTH: 576 words

HEADLINE: Whitewater's Widening Circle

GUESTS: JEAN WILLIAMS, Executive Vice President, Phoenix Group, Inc.; STEPHEN HESS, The Brookings Institution

BYLINE: LOU DOBBS;

HIGHLIGHT
Casey Wian reports on the latest development in the unfolding Whitewater scandal, namely, allegations of insider trading involving an SEC investigation into the Phoenix Group that could lead to the White House.

BODY
JAN HOPKINS: The White House this week still unable to put the Whitewater controversy on the back burner. Outgoing White House counsel Bernard Nussbaum testified before a grand jury empanelled by special counsel Robert Fiske. Nussbaum answering questions about meetings between White House and Treasury officials concerning the investigation of a failed Arkansas savings and loan. Separately, at least five administration officials now find themselves surrounded by questions about their finances. The latest involves allegations of insider trading. Casey Wian has the story from Little Rock.

CASEY WIAN, CNN Business News: [voice-over] CNN Business News has confirmed this Little Rock company, the Phoenix Group, is the target of a Securities and Exchange Commission insider trading investigation that could lead to the White House. White House administration director Patsy Thomason [sp?] is the former president of the Phoenix Group. The investigation focuses on an unusual surge in volume and price in the stock of Arctic Alaska Fisheries the week before the company was taken over by Arkansas poultry giant Tyson Foods in June 1992. A Phoenix official says the company has provided documents to the SEC.

JEAN WILLIAMS, Executive Vice President, Phoenix Group, Inc.: There was a trade. That's all I know. I mean, you know, one trade, I think, as I remember. That's all. And the SEC has- they've been provided that. Nothing has come about it.

CASEY WIAN: [voice-over] The Phoenix Group is headed by former Clinton family

friend, bond dollar and convicted cocaine distributor Dan Lassiter [sp?]. Patsy Thomason was there in early 1991 and left in 1992. It's unclear if she left before or after the suspicious trade. Also reportedly named in the investigation an uncle of White House associate counsel William Kennedy. Kennedy says he is not being investigated by the SEC. The insider trading inquiry is the latest financial question surrounding the White House.

STEPHEN HESS, The Brookings Institution: The question is now the field of vision and in this case it's expanded to virtually anybody who knew anybody who once knew Bill or Hillary.

CASEY WIAN: [voice-over] Associate attorney general Webb [sp?] Hubbell is resigning to focus on allegations he improperly billed clients of his former employer, the Rose Law Firm of Little Rock. A special counsel continues to investigate Clinton's investment in a Whitewater land deal and its alleged ties to failed Madison Guaranty Savings and Loan. And The New York Times reports Hillary Rodham Clinton made $100,000 in the commodities market in the late '70s.

[on camera] While there are no allegations of impropriety in that deal, it does raise new questions about the Clintons' 1978 and '79 tax returns. Those documents are seen as key to the entire Whitewater affair, but the Clintons have refused to release them. Casey Wian, CNN Business News, Little Rock.

JAN HOPKINS: Up next on MoneyWeek, Fed /chairman Alan Greenspan pays a courtesy call on President Clinton, the meeting causing big concerns in financial markets. The week on Wall Street next on MoneyWeek. Stay with us.

[Commercial break]

The preceding text has been professionally transcribed. However, although the text has been checked against an audio track, in order to meet rigid distribution and transmission deadlines, it has not yet been proofread against videotape.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 20, 1994

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LEVEL 1 - 12 OF 33 ITEMS

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March 19, 1994, Saturday, Home Edition

SECTION: Part A; Page 1; Column 3; National Desk

LENGTH: 1206 words

HEADLINE: ROSE FIRM MAY FILE COMPLAINT AGAINST HUBBELL

BYLINE: By JAMES RISEN, TIMES STAFF WRITER

DATELINE: WASHINGTON

BODY

The Rose Law Firm has decided to file an ethics complaint against former Associate Atty. Gen. Webster Hubbell and some of the firm's partners are urging a review of the expense account and billing records of other current and former Rose lawyers, including First Lady Hillary Rodham Clinton, sources close to the firm said.

Partners at the firm voted earlier this week to file an ethics complaint against Hubbell, a former Rose partner, with the Arkansas Supreme Court's Committee on Professional Conduct, the sources said. That agency handles ethics complaints against attorneys licensed to practice in Arkansas.

Hubbell resigned March 14 as the No. 3 official in the Justice Department after it was revealed that the Rose firm was reviewing the billing and expense account records he kept while a partner at the firm.

James Neal, executive director of the Committee on Professional Conduct in Little Rock, Ark., said ethics complaints are not public records, and he declined to say whether the Rose firm has filed one against Hubbell.

Meanwhile, some of the firm's partners are pressing for a review of client billings and expense account records kept by all current partners and by those who recently left the firm, including Hillary Clinton and Associate White House Counsel William Kennedy III. Both were partners at the Rose firm until President Clinton was elected. Kennedy was managing partner until he joined the White House staff.

While current Rose partners appear to have no knowledge of any questionable billing or expense account records for either Hillary Clinton or Kennedy, some of the firm's attorneys argued that questions raised about Hubbell's billing practices justify an examination of the rest of the professional staff's records, including those of the two former partners.

In the wake of the internal Hubbell review, they said, the firm should make certain no other problems will be uncovered now that the firm is part of investigation by Whitewater special counsel Robert B. Fiske Jr. However, others in the firm disagree.

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Ronald M. Clark, the Rose firm's chief operating officer, denied that the firm is conducting a review of billing or expense account records for either Hillary Clinton or other past or current partners.

He added that the firm also has no plans to review billings by the late Vincent Foster, the White House deputy counsel and former Rose partner who died of an apparent suicide.

Fiske is looking into allegations that the Clintons may have benefited improperly from their association with James B. McDougal, owner of the failed Madison Guaranty Savings & Loan and a partner with the Clintons in a failed real estate investment known as Whitewater Development Corp.

He is also investigating the role played by Hillary Clinton and the Rose firm in representing Whitewater Development and Madison Guaranty. The probe also includes an examination into Foster's death.

While the Hubbell inquiry by the Rose firm had little directly to do with the Whitewater matter, growing questions about the controversy embroiled the White House and made it impossible for Hubbell to survive in his Administration post.

If the Rose firm begins a review of Hillary Clinton's records, it would open one more avenue of inquiry into her background at a time when she seems increasingly vulnerable because of the Whitewater controversy.

Lisa Caputo, a spokeswoman for Hillary Clinton, echoed Clark's denial that any Rose firm review of the First Lady is under way. Kennedy refused to comment.

But the fact that some partners are urging the review is another sign of the growing bitterness within the Rose firm over the toll that the Whitewater matter and the Clinton Administration's political problems have inflicted on the firm.

Indeed, a split within the firm is further evidence of the worsening relations between some of those who resigned to join the Administration and those who stayed behind.

Four Rose partners, including Hillary Clinton, left Little Rock for Washington after the presidential election, heightening the firm's hopes for its future while raising questions among conservative critics about its political influence in the new Administration.

A little more than one year later, however, one of those partners, Foster, is dead, and another, Hubbell, has resigned under a cloud. Many within the Rose firm say they believe that the firm has paid too heavy a price for its connections to the Clintons.

In particular, some Rose partners have expressed anger over the way in which some Administration officials have leaked what the firm contends is misleading information about the Hubbell case. They said White House officials have exaggerated the size and scope of the Hubbell billing and expense account review by telling reporters that Hubbell left the Rose firm with as much as $1 million in liabilities.

Sources close to the Rose firm said the Hubbell matter involves no more than

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$100,000 in unverified expense account and client billings. The implication is that White House officials are also trying to distance themselves from Hubbell and his problems.

"I don't know why people in the Administration are putting this information out. I don't know what they think they will get out of it; but they are in a risky business because the truth will come out," one source said.

At the same time, some partners said there is a search under way within the firm to determine who first leaked information about the internal review.

Some observers have argued that dissidents within the Rose firm have been seeking to distance themselves from the Clintons because of the Whitewater controversy and that such concerns prompted the firm's investigation of Hubbell.

Yet sources close to the firm said the review was prompted by a complaint from a client last year. The firm tried for months to quietly resolve its differences with Hubbell, the sources said, giving him ample time to turn over credit card receipts and other records to verify his billing and expense account reports.

He repeatedly put off the firm, telling his former colleagues that he had just moved and that his records were packed away in boxes, these sources said.

Ultimately, after a series of partnership meetings, there was broad consensus that the firm had to take action against Hubbell, sources said.

"We had no choice," one said. "There was no group of dissidents. We all recognized that we had to take action."

In addition, firm attorneys have conducted a thorough review of the Rose firm's document-shredding practices in the wake of grand jury testimony from at least two firm couriers that raised questions about whether the firm had shredded documents from Foster's files.

"We are now 100% certain that none of the documents were from Foster's files or had anything to do with Whitewater or Madison Guaranty, " said one source close to the firm.

Firm partners are now prepared to testify before Fiske's Whitewater grand jury that the documents in question were unrelated papers placed in a box once used by Foster and bearing his initials.

All Madison Guaranty and Whitewater Development documents have been turned over to Fiske or are about to be transferred, the sources said.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 20, 1994

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LEVEL 1 - 13 OF 33 ITEMS

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March 19, 1994, Saturday, Home Edition

SECTION: Part A; Page 20; Column 1; National Desk

LENGTH: 195 words

HEADLINE: ALTMAN DISCLOSES 2ND MEETING ON S&L

BYLINE: By Reuters

DATELINE: WASHINGTON

BODY

Deputy Treasury Secretary Roger Altman disclosed that he held a second meeting with White House officials about matters relating to a defunct Arkansas savings and loan linked to the Whitewater affair, a letter released Friday shows.

Altman, who has been acting head of the Resolution Trust Corp., said he met with White House aide Harold M. Ickes last month to discuss disqualifying himself from the case involving Madison Guaranty Savings & Loan.

In a letter to the head of the Senate Banking Committee, Altman played down the White House contact, saying there "was no discussion of the case itself" and that he had not sought -- nor was he given -- advice.

Altman said he recalled the second meeting after reviewing his own files. He did so after saying at a Senate hearing last month that he had given White House officials a "heads-up" on how the RTC was proceeding with aspects of the Madison case.

The savings and loan was owned by James B. McDougal, President and Hillary Rodham Clinton's partner in their Whitewater land investment.

Sen. Alfonse M. D'Amato of New York, the senior Republican on the Banking Committee, called for Altman's resignation.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 20, 1994

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LEVEL 1 - 14 OF 33 ITEMS

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March 19, 1994, Saturday, Late Edition - Final

SECTION: Section 1; Page 1; Column 5; National Desk

LENGTH: 1435 words

HEADLINE: Review Likely to Find Taxes Were Underpaid by Clintons

BYLINE: By DOUGLAS JEHL, Special to The New York Times

DATELINE: WASHINGTON, March 18

BODY

A review being conducted by President Clinton's personal lawyer is likely to conclude that the Clintons lost less money from their Whitewater investment than they have claimed and may therefore have underpaid their income taxes, associates of Mr. Clinton said today.

The review, by accountants working for the lawyer, David E. Kendall, may be concluded as early as next week, the associates said. They said the Clintons were considering whether to make the findings public after sharing them with Robert W. Fiske Jr., the special prosecutor who is looking into the Whitewater matter.

The associates of Mr. Clinton said they did not know by how much the Clintons might have overestimated their investment loss, which they claimed as a tax deduction, or underestimated their tax liability. But they said it appeared that the review would reach both conclusions.

Mr. Clinton moved today to pre-empt any criticism by telling news agency reporters that any mistakes made on his family's tax returns "certainly were not intentional." He said he was ready to pay back taxes if necessary.

"I don't think we owe any extra taxes, but I'm not sure yet," Mr. Clinton said in the interview. "If we do owe, we'll make it good."

Until now, the Clintons have cited a review prepared by a Denver accounting firm in 1992 in maintaining that they had lost $68,000 from their investment in an Arkansas land venture known as the Whitewater Development Company. But Mr. Clinton and his wife, Hillary, have chosen not to repeat that assertion in recent days, and Mrs. Clinton said in interviews last weekend that the couple might have underestimated their tax liability.

A tax return prepared for Whitewater last year at the direction of Vincent W. Foster Jr., the deputy White House counsel and former law partner of Mrs. Clinton who killed himself in July, also suggests that the enterprise had been closer to breaking even than the 1992 report. That review was commissioned by James Lyons, a Denver lawyer who was a campaign adviser to Mr. Clinton.

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A study of Clinton tax returns in the April issue of Money magazine, which will be published soon, suggests that the couple may have underpaid their taxes by a total of about $16,000 from 1980 to 1992. The magazine estimates that more than $8,000 of that comes from what the audit found to be questionable deductions related to the Whitewater investment. The article said the total amount the Clintons might owe to the Internal Revenue Service, including interest, could amount to $45,411.

Mr. Fiske, who is looking into a broad range of issues connected to the Clintons' investment in the Whitewater venture, is similarly expected to review the tax recorus. In weighing whether to make their own findings public, the Clintons may be interested in pre-empting any embarrassing findings by the special prosecutor while also providing answers to questions about the investment that have remained unresolved.

A senior White House official who discussed the status of Mr. Kendall's review said it was too soon to say for sure whether the Clintons overestimated their loss or underestimated their tax liability. But two associates of Mr. Clinton, who said both findings were expected, also said that it was unclear whether Mr. Kendall would provide specific estimates of the sums involved.

Mr. Clinton acknowledged today that he and his wife were trying to "go back over this" and said any revised findings would be shared with Mr. Fiske. The records from the Arkansas land deal have never been complete, and the Clintons have previously acknowledged taking $2,156 in unjustified tax deductions from Whitewater-related interest payments in 1984 and 1985. To make amends, they voluntarily repaid the Government $4,000 in back taxes and interest during the 1992 campaign.

In a magazine interview last weekend, Mrs. Clinton said that as new information about the real estate project was uncovered, it might reveal further tax liabilities. The First Lady said the couple would "act appropriately" if their lawyers determined that some taxes remained unpaid.

A senior White House official said today that it was uncertain when the couple would decide whether to make public Mr. Kendall's findings. Because Mr. Clinton has urged that Mr. Fiske, the special prosecutor, be left to reach his own conclusions about the Whitewater case, the official said the Clintons would want to seek his approval before releasing any revised judgments of their own.

But one Clinton associate said he believed that the Clintons would prefer to make available new findings about their Whitewater losses and tax liability -- even if they proved somewhat embarrassing -- rather than wait to see their earlier statements contradicted by Mr. Fiske.

Details on Contacts

In the meantime, a new detail in the tangled Whitewater case emerged today as Roger C. Altman, the Deputy Treasury Secretary, identified Harold M. Ickes, the deputy White House chief of staff, as the official he talked to about whether to recuse himself from any role in a Federal investigation of the Arkansas bank at the center of the affair.

The conversation is one of several contacts between Treasury and White House

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officials being reviewed by Mr. Fiske to determine whether they were proper. Last week, senior Administration officials said that Mr. Altman had told at least one senior White House official that he was trying to determine whether to recuse himself from the sensitive case, but today marked the first time that Mr. Ickes was named as the person with whom he talked.

White House officials sought to minimize the disclosure that Mr. Ickes had been the official in whom Mr. Altman confided before recusing himself from the Resolution Trust Corporation inquiry into Madison Guaranty Savings and Loan Association, an Arkansas institution with ties to the Clintons. The owner of Madison Guaranty and his wife were partners with the Clintons in the Whitewater investment. Mr. Altman identified Mr. Ickes in a March 11 letter to Senator Donald W. Riegle Jr., Democrat of Michigan, but the document was not made public until today, when it was obtained and released by Senator Alfonse M. D'Amato, Republican of New York.

The White House moved to resolve another potentially embarrassing matter today by ordering a tightening of rules that had allowed nearly 300 staff members in the executive office to work for months at the White House without full security clearances, officials said. The office has a work force of about 1,000.

White House Passes

Thomas F. McLarty 3d, the White House chief of staff, ordered all employees to fill out background questionnaires by 6 P.M. These are needed to obtain permanent passes. Other White House officials said tonight that everyone except those hired since March 1 had now met that deadline. Mr. McLarty also imposed strict limits on how long the temporary passes could be used.

The questionnaires, which must be filled out by those seeking a permanent White House pass, ask applicants to detail their use of illegal drugs for the past five years and to describe any alcohol or financial problems. White House officials have said that delays in filling out the forms, rather than any effort to hide personal problems, have been the main reason that so many employees have obtained only temporary passes.

Even Mr. McLarty has obtained his permanent pass only in the last several weeks, White House officials said tonight. But the officials said he had received a full security clearance more than a year ago and indicated that a failure by others to complete the necessary paperwork had been responsible for the delay.

Law enforcement officials said today that some applicants who had completed the forms had admitted to illegal drug use, but said that most of these appeared to have taken drugs, like marijuana, only on a casual basis that does not usually disqualify applicants from Government jobs.

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LAW FIRM'S COMPLAINT

LITTLE ROCK, Ark., March 18 (AP) -- The Rose Law Firm decided today to file a formal ethics complaint against a former partner, Webster L. Hubbell, who had been Associate Attorney General until this week, said someone familiar with the proceedings.

Mr. Hubbell could not be reached for comment.

A lawyer familiar with the matter said the complaint will be filed with the Arkansas Supreme Court's committee on professional conduct. The move comes after news reports that Mr. Hubbell may have overbilled clients and used the firm's money to pay personal expenses.

GRAPHIC: Photo: Five-year-old Sean Sausman of Burlington County, N.J., who wrote to President Clinton several times about his ambition to be President, was given a tour of the White House yesterday by the President. (White House Photo via Reuters)(pg. 11)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 19, 1994

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LEVEL 1 - 15 OF 33 ITEMS

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March 19, 1994, Saturday, Final Edition

SECTION: EDITORIAL; PAGE A21

LENGTH: 1142 words

HEADLINE: The Press In Pursuit Abstract scandals, uneven interest.

SERIES: Occasional

BYLINE: Richard Harwood

BODY

The Whitewater affair divides the country. It is also dividing the American press.

Columnist Robert Samuelson says, "The purported scandal is so far a political vendetta draped in legal trappings. The trappings are essential, because it is the mere possibility of wrongdoing that justifies the ongoing media attention."

Joe Klein of Newsweek speculates on the possibility that the Clintons will emerge from their present trials as innocent victims of press hysteria. In that event, he asks, "Do we, the righteous guardians of the truth, admit that we blew this all out of proportion -- or do we continue to puff motes into dust storms in order to justify our investment? The Clintons have earned their isolation. But they deserve a more sober hearing than this lunatic caldron."

"Here we go," writes Washington Post columnist Jonathan Yardley, "hurtling down the rapids of Whitewater into a furious eddy of political opportunism and journalistic exhibitionism. The government of the United States will grind to a halt for a year or more, thank God, and the high-octane newsfolk of the nation's capital will bore us all to tears with interminable recitations of imaginary outrages, but who cares? It's going to be one hell of a ride."

Russell Baker of the New York Times satirizes the media torrent and explains it: "The reason this rickety construction of innuendo and circumstance occupies the media so intensely is that presidents are central to the American need to be entertained. ... Whitewater is the best news in Washington now that Barbra Streisand no longer guests at the White House."

From Harvard, Marvin Kalb, director of a media program at the university, told The Post: "There is a rushing to judgment that is unprofessional and distasteful. The press is going to have a lot to answer for when this is over."

The gulf between what these critics are saying and what the press is doing reflects, among other things, confusion about our function in American life. The critics put forth an ethical view of journalism in which we should not act as detectives, prosecutors or judges but should allow our system of justice and its institutions to deal with matters of innocence or guilt. There should be, as

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Kalb said, no rush to judgment nor, as Klein put it, no "ridiculous hyperinflation" of small peccadilloes.

That is essentially the posture taken by the press during the Watergate scandal. It was first seen -- by me, among others -- as a "two bit break-in" and, with the exception of The Post and a few isolated journalists, it was largely ignored by the media. Nevertheless, justice ultimately was served. A president was brought down and others were punished, not by the press, as myth has it, but through the workings of the "system" -- the judiciary, the FBI, a special prosecutor and Congress. I do not mean to equate Watergate and Whitewater but merely to make the point that with or without the press, justice can and usually does prevail.

This is not the majoritarian operating premise of the press. Underlying our approach to potential public scandals is a general distrust of the "system." We assume it can be manipulated by presidents, that "coverups" are both possible and likely from the White House down to city hall. Thus, at the hint of any scandal, it is our duty to dispatch investigative teams to dig out the truth as archaeologists do, piece by piece until the whole picture is revealed. In this process we monitor the "system's institutions of justice for foot-dragging and coverup" and, as William Safire of the New York Times has said, "light fires" under the investigators.

That may have happened several times in the Whitewater affair. The first story about the Clintons' involvement with Madison Savings & Loan was written by Jeff Gerth and published in the New York Times in March 1992. It had no visible impact. Eight months later, however, the federal agency responsible for cleaning up the national "savings and loan mess" -- the Resolution Trust Corp. -- recommended to the U.S. attorney in Little Rock that a criminal investigation be made of Madison and named the Clintons as possible beneficiaries of "diverted" funds from the bank. Did Gerth's story "fire up" the RTC?

In October 1993, with Clinton in the White House, the U.S. attorney in Little Rock, who had studied law with Clinton, refused the RTC request for an investigation. The Post on Oct. 31 reported on this situation for the first time. Four days later, then-Associate Attorney General Webster Hubbell, one-time partner in a law firm with Hillary Clinton, recused himself from the case. On Nov. 9 a team from the Justice Department was sent to Little Rock to launch the investigation the RTC had been seeking. Was there any connection between The Post's story and these actions by the Justice Department?

Late in December, the Washington Times revealed that papers dealing with the Clintons' involvement with Madison had been taken from Vincent Foster's White House office following his suicide and had been turned over to the president's personal lawyer, David Kendall. Was there any connection between this story and the subsequent appointment of a special prosecutor?

On March 3 of this year, The Post revealed that the White House and supposedly neutral Treasury Department officials had been conferring about Whitewater and the progress of government investigators. Was this story related to the special counsel's issuance of subpoenas to many White House and Treasury officials to explain these meetings?

We will never be able to establish beyond any doubt that the press has "lit

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fires" in the Whitewater case or has played a "constructive" or "destructive" role in the pursuit of justice. We will never be able to prove beyond reasonable doubt that the press will have had any effect at all when this affair finally comes to an end.

George Church, a columnist for Time magazine, suggests that the real danger here is that the veracity and credibility of the Clintons could be so damaged that they will be unable to enact a health care bill. That is the White House line.

The other view is that the veracity and credibility of the Clintons had been so impaired before Whitewater obsessed us that our exertions now are more than justified.

The Whitewater news as of mid-March -- 209 stories in The Post alone -- doubtless has affected the political standing and reputations of the Clintons. We know that from the polls. But as in the case of Iran-contra, public interest in these abstract scandals is shallow and intermittent. Our affections for presidents vary almost by the hour and the day. So there is no reason to believe that whatever has been written or broadcast thus far will have any lasting effect on Clinton's place in history or in the hearts of his countrymen. Ask the ghost of Harry Truman.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 18, 1994

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LEVEL 1 - 16 OF 33 ITEMS

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March 19, 1994, Saturday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 1072 words

HEADLINE: Law Firm Asks State Bar to Probe Hubbell;
Efforts to Resolve Rose Dispute Fail

SERIES: Occasional

BYLINE: Susan Schmidt, Washington Post Staff Writer

BODY

The Rose Law Firm yesterday asked the Arkansas state bar association to investigate alleged client overbilling and expense irregularities by Webster L. Hubbell, who abruptly resigned his post as associate attorney general this week because of the dispute with his former law partners.

All 28 partners of the Rose firm agreed to send a complaint to the Arkansas Supreme Court Committee on Professional Conduct, according to a source close to the firm. The committee on professional conduct oversees the state's legal profession and has the power to discipline lawyers for ethical transgressions.

Rose lawyers contend that Hubbell owes them and his former clients, including the federal government, hundreds of thousands of dollars, sources said.

Ronald Clark, managing partner of the Rose firm, declined to be interviewed yesterday. Hubbell's lawyer, John Nields, could not be reached for comment.

In announcing his resignation Monday, Hubbell said he had done nothing improper and characterized the issue as a private financial dispute among former colleagues. He said he was having discussions with the Rose firm and was confident that "all outstanding matters will be resolved satisfactorily."

Rose officials have been investigating whether Hubbell wrote checks on an account used for client expenses to pay for his personal trips, credit card bills and other items. The inquiry, which sources said formally began last year, examined cases and records going back to 1988.

Last-ditch efforts to negotiate a resolution to the long-running dispute fell apart last weekend, according to sources close to the firm.

Hubbell and Nields were unable to meet a deadline to provide backup documentation justifying bills and expenses, including credit card receipts. Hubbell told administration officials Sunday he was considering resigning and Monday announced he was doing so.

Complaints made to the committee on professional responsibility remain

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confidential while they are under investigation and become public only if the committee decides to take disciplinary action.

Rose partners sought the advice of the state's leading expert on legal ethics, University of Arkansas professor Harold Brill, who told them they had a duty to report the results of their investigation into Hubbell's billing practices to the committee on professional responsibility, sources said. Brill declined comment.

Hubbell -- a close friend of President Clinton and First Lady Hillary Rodham Clinton, another former Rose partner -- has been the Justice Department's chief point of contact with the White House.

Attorney General Janet Reno praised him this week as a man of integrity, and many in the department and in the White House were shaken by news of his resignation. It came on the heels of the resignation of another top administration lawyer, White House counsel Bernard Nussbaum. Nussbaum was forced to quit after disclosures that he and other White House aides had been briefed by Treasury Department officials about civil and criminal investigations involving the Clintons that were being pursued by federal regulators.

The Resolution Trust Corp. is one of the Rose clients that lawyers at the firm believe may have been overbilled by Hubbell. The Rose firm has handled more than a dozen cases for the RTC and the Federal Deposit Insurance Corp., seeking damages from former officials of failed savings and loan institutions.

In one case involving a company owned by Hubbell's in-laws, Rose lawyers contend the firm is owed about $ 500,000 in expenses.

Some partners of the firm are pressing for a review of the billings and expense accounts of all current and recent Rose partners, including Hillary Clinton and associate White House counsel William Kennedy, the Los Angeles Times reported last night.

While current Rose partners appear to have no knowledge of any questionable billing or expense accounts for either Hillary Clinton or Kennedy, some of the firm's attorneys argued that questions raised about Hubbell's billing practices justify an examination of the rest of the professional staff's records, including those of the two former partners, the paper said.

Hillary Clinton worked with Hubbell on one of the cases in which Hubbell's accounting has been called into question.

At the White House yesterday, President Clinton shrugged off a New York Times report detailing how Hillary Clinton made a $ 100,000 profit in a little more than a year in the late 1970s trading on highly risky cattle futures contracts. She made the investments on the advice of James B. Blair, a longtime family friend and lawyer who represented Tyson Foods Inc., an Arkansas chicken firm.

"My wife and a man who's one of our best friends ... made a perfectly legal investment, made money and paid taxes," Clinton said, according to the Associated Press. "All the rest of it is innuendo and unsupported allegations. It was perfectly legal."

Clinton also yesterday said that any mistakes he and Hillary Clinton may have

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made on their income tax returns "certainly were not intentional," and he is prepared to pay back taxes if necessary. White House officials have suggested that the Clintons' tax returns are being reexamined to see if improper deductions might have been taken in relation to the Whitewater land investment.

Clinton said he will forward to special counsel Robert B. Fiske Jr. the results of the reexamination. Fiske is examining Whitewater and its connections to the failed Madison Guaranty Savings & Loan, owned by the Clintons' former Whitewater partner, James B. McDougal. Fiske also is investigating the July suicide of White House deputy counsel Vincent Foster.

Fiske also has subpoenaed White House and Treasury officials about a series of contacts between the two agencies regarding the Resolution Trust Corp. investigation of Madison. The contacts occurred after the RTC sent a criminal referral to the Justice Department naming the Clintons as possible beneficiaries of Madison's illegal activities.

Deputy Treasury Secretary Roger C. Altman, who also serves as acting head of the RTC, yesterday amended his February testimony about White House contacts to include another discussion. In addition to a discussion with White House aides about RTC civil cases, Altman said he had a five-minute discussion with Deputy Chief of Staff Harold Ickes on whether he should recuse himself from the Madison case.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 18, 1994

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LEVEL 1 - 17 OF 33 ITEMS

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March 19, 1994, Saturday, Final Edition

SECTION: FINANCIAL; PAGE C1

LENGTH: 969 words

HEADLINE: Altman Asked RTC for Advance Notice of Suits;
Memos Dealt With Possible Action Against Jefferson

SERIES: Occasional

BYLINE: Jerry Knight, Washington Post Staff Writer

BODY

Deputy Treasury Secretary Roger C. Altman asked the Resolution Trust Corp. last year that he "be advised adequately in advance before litigation against any Members of Congress is filed," according to an RTC memo.

The May 24 memo was written by the RTC's acting general counsel, Richard T. Aboussie. It summarized discussions with Altman and Treasury general counsel Jean Hanson about the possibility that the RTC would file a civil lawsuit against Rep. William J. Jefferson (D-La.) to recover proceeds of a $ 780,000 loan he had failed to repay to a defunct savings and loan that had been taken over by the RTC.

Aboussie said in the memo that he was seeking to correct a "misleading" message he had sent a week earlier by electronic mail. In that May 17 e-mail message, he had advised RTC colleagues that no suit should be filed against Jefferson without "the express oral or written permission of Mr. Altman. Ms. Hanson has indicated that this requirement should be treated with utmost seriousness."

Aboussie's e-mail message raised concerns within the RTC that Altman, who was serving as acting chief executive of the agency, might be seeking to block a politically sensitive suit against a Democratic member of congress.

That same question -- of possible political intervention by top Treasury officials in a sensitive RTC investigation -- surfaced recently when The Washington Post disclosed that Altman and Hanson had met with White House officials last year and discussed the RTC's pending investigation of an Arkansas savings and loan called Madison Guaranty that had been run by James McDougal, a business partner of President Clinton and Hillary Rodham Clinton.

Both Altman and Hanson have denied any wrongdoing in their discussion of the Madison case with Clinton administration officials, saying they knew nothing about details of the investigation and only alerted the White House that the case was coming up.

The RTC never did sue Jefferson. His overdue loan was sold to a private

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investor -- one of the standard methods the agency uses to clear up bad debts. Once the loan was sold, the matter was out of the RTC's hands. Jefferson has said he settled the debt with the new holder of the loan.

Jefferson issued a statement yesterday saying he hadn't known anything about high-level discussions between Treasury and RTC officials about the matter. "This is the first time I've heard about it," he said.

Speaking on behalf of Altman and Hanson, Treasury spokesman Howard Schloss said there was nothing improper about top officials of an agency demanding to be told in advance about a lawsuit against a member of Congress, saying any agency head would expect to be informed of such a sensitive case.

Treasury officials said a similar notification procedure was used last year when the RTC filed a civil lawsuit against Rep. Henry J. Hyde (R-Ill.) over his role as a director of Clyde Federal Savings Association in North Riverside, Ill. That case is pending.

Schloss said that Aboussie's initial e-mail message had reflected a "major misunderstanding" about a conversation he had had with Hanson. According to Schloss, Hanson never told Aboussie to hold back on suing the congressman and ordered him to rescind his directions as soon as she learned of the e-mail directive.

It is "emphatically not the case" that Treasury had imposed a freeze on any lawsuit against Jefferson, Hanson wrote Aboussie. "In no event do we intend to block the commencement of litigation against Congressman Jefferson, or any other member of Congress for that matter, if it is determined that litigation is the appropriate course of action."

Jefferson's problems with the RTC surfaced in September, when The Post reported that he and representatives of his former law firm in New Orleans had met with Altman, Hanson and Treasury Undersecretary Frank Newman. The purpose of that meeting was to discuss alleged violations of RTC ethics rules by the firm -- Bryan, Jupiter, Lewis and Blanson -- which was handling some cases for the RTC.

The meeting was set up by Jefferson, who was still being paid $ 100,000 a year by his former partners to buy out his interest in the firm.

At the time, RTC staff members had recommended that Bryan, Jupiter be cut off from handling legal work for the agency because of the alleged violations of the agency's conflict of interest rules. RTC officials said that when the firm applied to do RTC legal work it failed to disclose that Jefferson had not repaid the $ 780,000 loan from a failed S&L and that law partner Trevor Bryan defaulted on a $ 50,000 loan from a defunct thrift.

People who default on S&L loans can be prohibited from working for the agency under the conflict of interest rules and failure to disclose a default is a violation of RTC ethics standards.

A special RTC conflicts of interest committee ruled in August that Bryan, Jupiter should be banned from handling work for the agency, but a final decision in the case was made only three weeks ago.

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In that decision, which was not publicly announced, the RTC upheld a one-year suspension of Bryan, Jupiter from working for the agency. The decision was reviewed several times because of the interest of Altman and Johnny Booker, the RTC vice president in charge of minority contracting, RTC officials said.

Bryan, Jupiter is the largest black law firm in Louisiana and representatives of the firm had complained that suspending it from RTC work would violate the Clinton administration's pledge to route more work to minority firms.

When the meeting between Jefferson and Treasury officials was first disclosed, Altman defended it as a routine session involving a lawmaker and constituents, saying, "There was no special treatment in this case because Mr. Jefferson was a member of Congress."

GRAPHIC: PHOTO, REP. WILLIAM J. JEFFERSON.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 18, 1994

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LEVEL 1 - 18 OF 33 ITEMS

The Associated Press

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March 18, 1994, Friday, AM cycle

SECTION: Washington Dateline

LENGTH: 813 words

BYLINE: By LARRY MARGASAK, Associated Press Writer

DATELINE: WASHINGTON

BODY

Deputy Treasury Secretary Roger C. Altman informed a Senate committee last week of another contact with the White House on Whitewater, a meeting with Deputy Chief of Staff Harold Ickes.

The March 11 letter to Sen. Donald W. Riegle Jr., chairman of the Banking Committee, was released Friday by the panel's ranking Republican, Alfonse D'Amato of New York.

D'Amato said he was "deeply distressed" that Altman did not mention this meeting in earlier letters sent to the Banking Committee on March 2nd and 3rd amending his testimony to reveal other white House contacts. The senator called on Altman to resign.

Altman, who also serves as interim head of the savings and loan cleanup agency, said he held the discussion with Ickes to discuss his withdrawal from all matters involving the Whitewater case.

D'Amato said it was "inconceivable that Mr. Altman met with Mr. Ickes simply to provide notice of his recusal when the White House has no legitimate role in this matter."

Treasury Department spokesman Michelle Smith said, "The deputy secretary has no intention of resigning."

Ickes is deputy chief of staff to President Clinton and has handled damage control on Clinton's Whitewater real estate venture and its ties to the failed Madison Guaranty Savings and Loan. The Resolution Trust Corp., which Altman heads through this month, is responsible for disposing of failed thrifts and pursuing those responsible for the failures.

While the Altman letter was not made public before, a story in the New York Times March 8 said Altman spoke with at least one senior White House official last month about whether to recuse himself.

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Altman revealed at a banking panel hearing in February that he had given a "heads up" meeting to White House officials about expiring deadlines for filing RTC lawsuits.

Subsequently, other White House contacts with regulators were revealed, triggering subpoenas to administration officials by special counsel Robert B. Fiske Jr. Fiske is probing whether the White House contacts with regulators were improper.

In the letter, Altman wrote that one or two days after his "heads up" meeting, "there was a very brief discussion on the issue of recusal. There was no discussion whatsoever of the case itself.

"The conversation lasted five minutes or less and included me and Harold Ickes of the White House staff. There may have been one or two others in the room," he said. "The purpose of both meetings was to provide notification. At neither meeting did I seek advice, nor was it given."

At the White House Friday, President Clinton shrugged off reports that first lady Hillary Rodham Clinton made nearly $ 100,000 in cattle futures in the late 1970s on the advice of James Blair, a lawyer friend who was a longtime Clinton supporter.

"My wife and a man who's one of our best friends ... made a perfectly legal investment, made money and paid taxes," Clinton said. "All the rest of it is innuendo and unsupported allegations. It was perfectly legal."

On Capitol Hill, witnesses were caught in the middle of a Whitewater dispute between Democratic and Republican leaders of the House Banking Committee.

Democratic Chairman Henry B. Gonzalez has told invited witnesses not to cooperate with Republicans who want to question them about the controversy at the panel's hearing next Thursday. Ranking Republican Jim Leach is telling the witnesses they don't have that choice.

The committee scheduled the legally required hearing to review the cleanup of failed savings and loans. But Republicans served notice they want to turn the session into an inquiry on President Clinton's former Arkansas real estate venture, known as Whitewater, especially its financial links to the failed Madison Guaranty Savings and Loan.

In a letter Friday to Jonathan Fiechter, acting director of the Office of Thrift Supervision, Leach referred to Gonzalez's suggestion in a recent letter that Fiechter need not cooperate with Republicans.

"You are hereby put on notice that you must address your obligations to respond to legitimate information requests ... as required by the law and the Constitution, not in conjunction with an arbitrary and capricious desire" of the chairman, Leach wrote the regulator.

Gonzalez had written Fiechter last Monday, "Any questions regarding Madison Guaranty Savings and Loan, matters that are the subject of pending investigations" by Whitewater special counsel Robert B. Fiske Jr., "or other extraneous matters ... will not be considered pertinent at the hearing and need not be answered by you."

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In a separate letter last week, Gonzalez also told Fiechter not to comply with the Republicans' request for documents on Madison.

Senators, meanwhile, voted 98-0 Thursday for a resolution that permits Majority Leader George Mitchell and Minority Leader Bob Dole to work out arrangements for the Senate's own hearings.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 19, 1994

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LEVEL 1 - 23 OF 33 ITEMS

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Los Angeles Times

March 18, 1994, Friday, Home Edition

SECTION: Part A; Page 17; Column 1; National Desk

LENGTH: 997 words

HEADLINE: SENATE OKS WHITEWATER RESOLUTION;
CONGRESS: LEADERS OF BOTH PARTIES REACH AGREEMENT ON WHEN TO HOLD HEARINGS.
CLINTON AIDE STEPHANOPOULOS IS SUBPOENAED TO TESTIFY.

BYLINE: By MICHAEL ROSS, TIMES STAFF WRITER

DATELINE: WASHINGTON

BODY

The Senate, after weeks of fierce partisan wrangling, unanimously approved a resolution late Thursday calling for eventual congressional hearings into the Whitewater controversy.

The resolution, adopted 98 to 0, said simply that the leadership of both parties "should meet and determine the appropriate timetable, procedures and forum" for hearings into the matter.

In other Whitewater developments Thursday, White House adviser George Stephanopoulos was subpoenaed to testify before a grand jury called by Robert B. Fiske Jr., the Whitewater special counsel.

In a brief statement Thursday night, Stephanopoulos said: "I welcome the opportunity to give Mr. Fiske the facts."

Seven White House aides now have been subpoenaed to make grand jury appearances.

Outgoing White House Counsel Bernard Nussbaum appeared before the grand jury earlier in the day to answer questions about whether the Administration interfered with an investigation by the Resolution Trust Corp. into Madison Guaranty Savings & Loan, the failed thrift linked to the Whitewater controversy.

Fiske is looking into allegations that President Clinton and Hillary Rodham Clinton may have benefited improperly from their association during the late 1970s and 1980s with James B. McDougal, owner of the thrift and partner with the Clintons in a failed Ozark real estate investment known as Whitewater Development Corp.

Fiske also is investigating the role played by Mrs. Clinton and the Rose Law Firm in representing Whitewater and Madison Guaranty and the apparent suicide last July of Deputy White House Council Vincent Foster, who had worked on Whitewater as a Rose partner and later at the White House.

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The Senate resolution was the result of a compromise worked out during day-long negotiations between Majority Leader George J. Mitchell (D-Me.) and Minority Leader Bob Dole (R-Kan.).

After intense negotiations, the Republicans agreed to drop their demand for immediate hearings after getting a commitment from the Democrats to permit them at a later, although unspecified, date.

That left both sides able to claim victory -- with Republicans saying they had forced the Democrats to agree to hearings and the Democrats asserting that they were able to put them off until after Fiske finishes his investigation.

The non-binding resolution requires that the hearings "be structured and sequenced" so that they will not interfere with Fiske's investigation. Learning from a mistake made during the Iran-Contra hearings, it also pledged that no witnesses would be granted immunity in return for their testimony.

"The question is not whether there should be oversight hearings, but whether there should be oversight hearings when the special counsel has said they might undermine his investigation," Mitchell said.

Sen. Alfonse M. D'Amato (R-N.Y.), ranking Republican on the Senate Banking, Housing and Urban Affairs Committee, said he was satisfied because the agreement means that the Senate finally will investigate "the abuse of power" that he asserted Whitewater represents.

Earlier, an emotional D'Amato charged that the Democrats' refusal to consider hearings until Fiske had finished his investigation represented a political double standard. "If you'd had a Republican in the White House, you'd have had hearings at the drop of a hat," he thundered, punching the air with his fist, as he spoke on the Senate floor.

While Whitewater occupied center stage in the Senate, Fiske met with House GOP leaders in an effort to persuade them to delay plans to disclose information gathered by Republican investigators at a hearing next week.

The ranking Republican on the House Banking Finance and Urban Affairs Committee, Rep. Jim Leach of Iowa, repeated his contention that the hearing, tentatively scheduled for next Thursday, could turn out to be a "blockbuster" if all of the 40 witnesses he has requested are allowed to testify.

But Leach also complained that Chairman Henry B. Gonzalez (D-Tex.) has not yet called any of the witnesses and other sources said that Gonzalez has indicated that he will not call them on the grounds that their testimony is irrelevant to the Resolution Trust Corp. oversight hearing scheduled by the committee.

Leach, who has been conducting his own investigation of Whitewater, has said that he has evidence senior officials of the RTC may have "coerced" field investigators examining the failure of Madison Guaranty.

Among the witnesses Republicans had hoped to call at the Banking Committee hearing are five investigators from the Kansas City RTC field office that was responsible for developing criminal referrals in the Madison Guaranty case.

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Fiske told reporters after meeting with Leach and Minority Leader Robert H. Michel (R-Ill.) that he had reiterated his objections to having witnesses testify before a congressional hearing until he has completed his criminal investigation.

Leach said that he would consider dropping some of the witnesses on his list at Fiske's request. But he indicated that, if the Kansas City investigators are not allowed to testify, he will still use the hearing to outline their allegations. "I plan at the hearing to outline the precise nature of their relevance," Leach said.

While the political infighting over Whitewater continued in the House and the Senate, Nussbaum and Clinton adviser Harold Ickes spent several hours testifying before a grand jury that is examining the propriety of several meetings Nussbaum and other Administration aides had with RTC officials who were investigating the Madison thrift.

Nussbaum, who resigned under fire earlier this month after word of the meetings became public, told reporters that every one in the White House counsel's office had behaved "ethically and legally" and were "delighted to cooperate" with the grand jury because, "We have nothing to be ashamed of."

"I've responded to every question they put to me," Nussbaum added as he left the federal courthouse.

GRAPHIC: Photo, (A2) More on Whitewater: The Senate unanimously approved a resolution calling for eventual congressional hearings into the controversy, and a federal grand jury heard testimony in the matter. Left, former White House Counsel Bernard Nussbaum arrives to testify before the grand jury. Reuters

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 19, 1994

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LEVEL 1 - 24 OF 33 ITEMS

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THE DALLAS MORNING NEWS

March 18, 1994, Friday, STATE EDITION

SECTION: NEWS; Pg. 15A

LENGTH: 432 words

HEADLINE: Nussbaum testifies on Whitewater;
Fiske entreats GOP not to hold hearings

BYLINE: From Wire Reports

DATELINE: WASHINGTON

BODY

WASHINGTON - Departing White House counsel Bernard Nussbaum testified four hours Thursday before a Whitewater grand jury while the special prosecutor urged Republicans not to hinder him with congressional hearings.

GOP lawmakers had hoped for testimony as early as next week - as part of a previously scheduled hearing on the savings and loan cleanup. But Banking Committee Chairman Henry B. Gonzalez, D-San Antonio, said he would reject Whitewater witnesses as irrelevant to the House panel's business.

President Clinton said anew that Congress "ought to do whatever it is they think is the right thing to do."

Mr. Nussbaum, who announced his resignation as White House counsel under fire on March 5, said as he left the U.S. courthouse, "I've just testified before the grand jury. I've responded to every question they put to me."

Immediately following Mr. Nussbaum into the grand jury room was White House Deputy Chief of Staff Harold Ickes.

After finishing more than 21/2 hours of testimony, Mr. Ickes said it will become clear that there has been "no unethical conduct or wrongdoing" once the investigation has been completed.

The grand jury is investigating White House contacts with regulators who were dealing with the failed Madison Guaranty Savings and Loan, the thrift linked to the Whitewater land development and the Clintons.

Thursday also brought these developments:

* George Stephanopoulos, a top presidential adviser, became the seventh White House staff member subpoenaed to testify before the grand jury.

* Special counsel Robert B. Fiske Jr. met with three House Republicans: Minority Leader Bob Michel, Minority Whip Newt Gingrich and Jim Leach, ranking GOP member of the House Banking Committee.

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Mr. Fiske said he repeated to the Republicans "what our concerns were with respect to the impact of congressional hearings on our investigation. No decisions were made."

Mr. Leach said he might cull some names from the 40-person witness list he submitted for next week's hearing.

But committee chairman Gonzalez asserted that he would not invite the GOP witnesses because they were not pertinent to the purpose of the hearing. "Tough luck for them," the San Antonio Democrat said.

* In the Senate, the scene of repeated bitter partisan clashes over Republican demands for hearings, leaders of the two parties were seeking to draft a joint resolution calling for hearings. A vote could come late in the evening.

Democrats have not ruled out an eventual airing of the affair but have said hearings must not interfere with Mr. Fiske's investigation.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 19, 1994

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LEVEL 1 - 25 OF 33 ITEMS

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THE DALLAS MORNING NEWS

March 18, 1994, Friday, HOME FINAL EDITION

SECTION: NEWS; Pg. 15A

LENGTH: 768 words

HEADLINE: Senate OKs Whitewater hearings;
Measure adopted in 98-0 vote leaves timing, other details to be resolved

BYLINE: Los Angeles Times

DATELINE: WASHINGTON

BODY

WASHINGTON - The Senate, after weeks of fierce partisan wrangling, unanimously approved a nonbinding resolution late Thursday calling for eventual congressional hearings into the Whitewater controversy.

The resolution, adopted 98-0, said simply that the leadership of both parties "should meet and determine the appropriate timetable, procedures and forum" for hearings into the matter.

In other Whitewater developments Thursday, White House adviser George Stephanopoulos was subpoenaed to testify before a grand jury called by Robert B. Fiske Jr., the Whitewater special counsel.

In a brief statement Thursday night, Mr. Stephanopoulos said, "I welcome the opportunity to give Mr. Fiske the facts."

Seven White House aides now have been subpoenaed to make grand jury appearances.

Mr. Fiske is looking into allegations that President Clinton and first lady Hillary Rodham Clinton may have benefited improperly from their association during the late 1970s and 1980s with James B. McDougal, owner of the failed Madison Guaranty Savings & Loan and partner with the Clintons in a failed Ozark real estate investment known as Whitewater Development Corp.

Mr. Fiske is also investigating the role played by Mrs. Clinton and the Rose Law Firm in Little Rock, Ark., in representing Whitewater and Madison Guaranty and the apparent suicide last July of Deputy White House Counsel Vincent Foster, who had worked on Whitewater as a Rose partner and later at the White House.

The Senate resolution was the result of a compromise worked out during daylong negotiations between Majority Leader George J. Mitchell, D-Maine, and Minority Leader Bob Dole, R-Kan.

Mr. Clinton said anew Thursday that members of Congress "ought to do whatever it is they think is the right thing to do."

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After intense negotiations, the Republicans agreed to drop their demand for immediate hearings after getting a commitment from the Democrats to permit them at a later, although unspecified, date.

That left both sides able to claim victory - with Republicans saying they had forced the Democrats to agree to hearings and the Democrats asserting that they were able to put them off until after Mr. Fiske finishes his investigation.

The resolution requires that the hearings "be structured and sequenced" so that they will not interfere with Mr. Fiske's investigation. In keeping with what was learned from a mistake made during the Iran-contra hearings, it also pledged that no witnesses would be granted immunity in return for their testimony.

"The question is not whether there should be oversight hearings, but whether there should be oversight hearings when the special counsel has said they might undermine his investigation," Mr. Mitchell said.

Sen. Alfonse D'Amato, R-N.Y., ranking Republican on the Senate Banking, Housing and Urban Affairs Committee, said he was satisfied because the agreement means that the Senate finally will investigate "the abuse of power" that he asserted Whitewater represents.

Earlier, an emotional Mr. D'Amato charged that the Democrats' refusal to consider hearings until Mr. Fiske had finished his investigation represented a political double standard.

"If you'd had a Republican in the White House, you'd have had hearings at the drop of a hat," he said, punching the air with his fist, as he spoke on the Senate floor.

While Whitewater occupied center stage in the Senate, Mr. Fiske met with House GOP leaders in an effort to persuade them to delay plans to disclose information gathered by Republican investigators at a hearing next week.

The ranking Republican on the House Banking Finance and Urban Affairs Committee, Rep. Jim Leach of Iowa, repeated his contention that the hearing, tentatively scheduled for next Thursday, could turn out to be a "blockbuster" if all of the 40 witnesses he has requested are allowed to testify.

But Mr. Leach also complained that Chairman Henry B. Gonzalez, D-Texas, has not yet called any of the witnesses. Other sources said that Mr. Gonzalez has indicated that he will not call the witnesses on the grounds that their testimony is irrelevant to the Resolution Trust Corp. oversight hearing scheduled by the committee.

Also on Thursday, outgoing White House Counsel Bernard Nussbaum appeared before the grand jury to answer questions about possible administration interference in a federal investigation related to Whitewater.

Immediately following Mr. Nussbaum into the grand jury room was White House Deputy Chief of Staff Harold Ickes.

Mr. Nussbaum announced his resignation as White House counsel under fire on

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March 5.
GRAPHIC: PHOTO(S): (1-2 Associated Press) 1. Former White House Counsel Bernard Nussbaum leaves a court building on Thursday, having testified to the Whitewater grand jury. 2. Robert B. Fiske (center), the special counsel investigating the Whitewater affair, meets Thursday in Washington with Rep. JimLeach, R-Iowa (left), and House Minority Leader Bob Michel of Illinois. Mr. Fiske, who has sought to stave off any congressional hearings into Whitewater, said he repeated his concerns to the Republicans.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 19, 1994

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LEVEL 1 - 26 OF 33 ITEMS

Copyright 1994 The New York Times Company
The New York Times

March 18, 1994, Friday, Late Edition - Final

SECTION: Section A; Page 21; Column 1; National Desk

LENGTH: 893 words

HEADLINE: Senior Adviser To Clinton Gets Jury Subpoena

BYLINE: By DAVID E. ROSENBAUM, Special to The New York Times

DATELINE: WASHINGTON, March 17

BODY

A grand jury investigating President Clinton's ties to the Whitewater investigation today subpoenaed George Stephanopoulos, one of the President's closest advisers, to testify.

Meantime, under pressure from Republicans to investigate the Whitewater case, the Senate tonight voted, 98 to 0, to instruct its leaders of both parties to meet to try to arrange public hearings. The vote does not necessarily mean hearings will take place any time soon.

Mr. Stephanopoulos is the only White House official subpoenaed so far who apparently did not participate in meetings with Treasury Department officials about Madison Guaranty Savings and Loan Association, a failed Arkansas institution that was owned by Bill and Hillary Clinton's partner in the Whitewater land venture.

Mr. Stephanopoulos would not say why he had been called to testify, but there was speculation here that perhaps it involved some matter contained in documents the White House turned over last week to the special prosecutor, Robert B. Fiske Jr. Stanley Brand, a lawyer for Mr. Stephanopoulos, said his client would probably testify on March 24.

7th Subpoenaed Clinton Aide

He would be the seventh White House official called before the grand jury. Two others, Bernard W. Nussbaum, who resigned this month as White House counsel, and Harold M. Ickes, the deputy chief of staff, appeared today.

Republicans in the Senate and House have been pressing for quick hearings on the Whitewater case, and Democrats have been resisting, largely to avoid embarrassing President Clinton. Mr. Fiske has urged Congress not to hold hearings on the ground that it would impede his investigation.

The Senate vote was on a "sense of the Senate" resolution that has no binding effect. It instructed the Senate party leaders -- George J. Mitchell, Democrat of Maine, and Bob Dole, Republican of Kansas -- to meet to determine the appropriate time, method and procedures for hearings that would not interfere

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with Mr. Fiske's inquiry.

Negotiations over the language went on behind the scenes all day, and presumably the White House found the resolution acceptable.

Senator Dole conceded, "We may not be able to put it together."

Mr. Mitchell said the Republican "demand for immediate hearings has not been met under this resolution."

Push for Vote in House

In the House, Representative Robert H. Michel of Illinois, the Republican leader on that side of the Capitol, said he would try to get a vote to hold hearings next week when the House takes up a measure to provide financing for its committees.

But Democrats continued to resist hearings, at least until the special prosecutor completes his investigation.

The chairman of the House Banking Committee, Representative Henry B. Gonzalez of Texas, told colleagues he would not allow questions about Whitewater to be raised when the panel held a public session next week on the status of the savings and loan bailout, members of his committee said.

In addition, letters were released that Mr. Gonzalez wrote last week to officials at the Resolution Trust Corporations and the Office of Thrift Supervision, the Federal agencies that deal with failed savings and loan associations, saying that they should not provide documents requested by his committee's top Republican, Jim Leach of Iowa. The agencies, by return letter, expressed agreement with Mr. Gonzalez's position.

In an interview, Mr. Leach called Mr. Gonzalez's action outrageous and without precedent. "It's astonishing that one member of Congress would attempt to deny information to another member," Mr. Leach declared.

All this partisan feuding added up to little of substance. So far, Democrats in Congress do not feel so cornered politically that they feel they have to agree to hearings, and they have strong enough majorities in the Senate and House to block hearings as long as the White House wants them to do so.

For his part, Mr. Clinton said at a St. Patrick's Day ceremony that the question of whether to hold hearings was up to Congress but that he thought a Congressional investigation would not be worth the money it would cost.

Grand Jury Testimony

In the meantime, two more top White House officials, Mr. Nussbaum and Mr. Ickes, testified separately under oath today before the grand jury on discussions they had with Treasury Department officials about Mr. Clinton's ties to Madison Guaranty, the failed savings and loan.

The two said only that they had fully cooperated with the prosecutors.

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"I've testified before the grand jury, and I have responded to every question they asked me," Mr. Nussbaum told reporters after his session. Later, he added, "We have nothing to be ashamed of."

Attorney General Janet Reno named William C. Bryson, a career lawyer at the Justice Department, to fill the post of Associate Attorney General, the No. 3 official at the agency, temporarily. He will replace Webster L. Hubbell, who announced on Monday that he was resigning to confront accusations by his former law partners that he had improperly billed the Rose Law Firm in Little Rock for his time and expenses on cases he handled there.

The Senate Judiciary Committee also voted to recommend confirmation of Jamie S. Gorelick as Deputy Attorney General, another high-level vacancy created when Philip B. Heymann resigned in late January.

GRAPHIC: Photo: Bernard W. Nussbaum, who recently resigned as White House counsel, arriving yesterday to testify before a Federal grand jury in Washington that is investigating the Whitewater affair. (Associated Press)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 18, 1994

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LEVEL 1 - 27 OF 33 ITEMS

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USA TODAY

March 18, 1994, Friday, FINAL EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 495 words

HEADLINE: Whitewater churns along two fronts / In Little Rock: Accusations a surprise to co-defendants

BYLINE: Dennis Cauchon

DATELINE: LITTLE ROCK

BODY

David Hale, who accused President Clinton of pressuring him to make an illegal Small Business Administration loan, never mentioned Clinton's role to co-defendants in a fraud case that prompted the charge.

The co-defendants say Hale's accusations surprised them and pushed them unwillingly into the Whitewater spotlight.

"I never heard anything about it until I saw him make the charge on TV," said Eugene Fitzhugh, a lawyer charged with conspiring with Hale to defraud the SBA. "Certainly, he never mentioned anything about it to me."

Charles Matthews, the third defendant, also never heard Hale mention any relationship with Clinton, his attorney said.

"My client has no personal knowledge about any of these allegations against President Clinton," said Bill Bristow, the attorney for Matthews.

Hale, a municipal judge appointed by Clinton, is scheduled for trial on March 28. It will be the first prosecution handled by the office of special counsel Robert Fiske Jr.

Matthews and Fitzhugh are scheduled for trial June 20.

Hale is charged with conspiring to defraud the SBA of $ 800,000 in November 1988. Matthews, then a stock broker at Prudential Bache, and Fitzhugh, an attorney, are charged with receiving $ 200,000 and $ 50,000 respectively for helping Hale transfer the money so it appeared Hale's company, Capital Management Services, was financially stronger than it was.

Capital Management Services had earlier made a $ 300,000 SBA-backed loan to Madison Marketing, a company run by Susan McDougal, a partner in the Whitewater land deal with the Clintons.

The $ 300,000 was never repaid. About one-third of the money went to Whitewater Development Co., which bought additional land, apparently without the

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Clintons' knowledge.

Hale has accused Clinton of pressuring him to make the loan, which was supposed to help minority or disadvantaged businesses.

He says Clinton told him Madison Guaranty Savings & Loan, which later failed, needed financial help. Clinton and former Madison owner James McDougal deny the charge.

Hale says he offered to wear a tape recorder to gather more information against Clinton but prosecutors refused his offer.

Hale was indicted for loans not directly related to the one he accuses Clinton of pressuring him to make. He plans to use the accusations against Clinton in his defense. When FBI agents searched Hale's business in July 1993, the search warrant included files on McDougal's Madison Marketing.

But Hale's co-defendants say Hale never mentioned any connection to Clinton. In addition, Fitzhugh, 68, says neither the prosecu- tor nor the FBI has ever questioned him about the Clintons or his role in the SBA loan.

Fitzhugh's attorney, Randy Satterfield, said he will ask a judge today to remove Fiske as the prosecutor of his client's case.

"Mr. Fiske is a walking media event," Satterfield said. "My client has no relation to Whitewater. Unfortunately, he's been dragged into the whole thing."

GRAPHIC: PHOTO, b/w, Rick McFarland, Arkansas Democrat-Gazette via AP

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USA TODAY

March 18, 1994, Friday, FIRST EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 420 words

HEADLINE: Whitewater churns along two fronts / In Washington: Stephanopoulos joins ranks of subpoenaed

BYLINE: Bill Nichols; Leslie Phillips

BODY

Two more White House aides testified before a federal grand jury probing the Whitewater affair Thursday, while George Stephanopoulos became the seventh White House aide served with a subpoena.

"I welcome the opportunity to give Mr. Fiske the facts," Stephanopoulos said in a statement.

White House aides said they believe documents turned over to Whitewater special counsel Robert Fiske, including phone logs, had prompted the subpoena. They said Stephanopoulos had phone calls on Whitewater but would provide no details.

Fiske has subpoenaed 11 former and current White House and Treasury officials in his inquiry into whether they interfered with a federal probe of a failed Arkansas savings and loans with ties to the Clintons.

White House counsel Bernard Nussbaum and deputy chief of staff Harold Ickes testified Thursday.

"I've testified before the grand jury and I have responded to every question," said Nussbaum, who resigned last week after the subpoenas.

Ickes said the investigation will make it clear that there has been "no unethical conduct or wrongdoing."

Previously appearing before the grand jury: Margaret Williams, chief of staff to first lady Hillary Rodham Clinton; Mark Gearan, White House communications director, and Lisa Caputo, Mrs. Clinton's press secretary. Also Thursday
-- Fiske met with House Republican leaders but said he still fears hearings could hurt his investigation: "We expressed our position. Everybody understands it."
-- Republicans on the House Banking Committee want to use a March 24 hearing to also examine aspects of Whitewater. But Rep. Henry Gonzalez, D-Texas, the committee chairman, insisted that he would reject any Whitewater witnesses as irrelevant.

"Tough luck for them," Gonzalez said.

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Gonzalez said the only witnesses would be the five members of a board overseeing the S&L cleanup agency, the Resolution Trust Corp.
-- Rep. Dan Rostenkowski, D-Ill., the day after he angered the White House by saying a congressional inquiry was inevitable, said hearings would be "a serious mistake" and are being supported by Republicans "making a partisan effort to divert public attention" from President Clinton's agenda.
-- Clinton, asked about the prospect of hearings, said: "It's up to Congress. . . . They ought to do whatever they think is the right thing." But he indicated he thinks hearings would be a waste of taxpayer money, saying he had read that an early Congress spent thousands looking into a presidential purchase of a $ 40 mirror.

GRAPHIC: PHOTO, b/w, AP

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LEVEL 1 - 29 OF 33 ITEMS

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March 18, 1994, Friday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 1392 words

HEADLINE: Senate Leaders Make Whitewater Hearings Deal

SERIES: Occasional

BYLINE: Helen Dewar, Ann Devroy, Washington Post Staff Writers

BODY

Senate leaders last night struck a compromise on the controversial issue of public hearings on the Whitewater affair, agreeing to try to work out an "appropriate timetable, procedures and forum" for hearings but leaving unresolved the sensitive issue of when they should be held.

The agreement, ratified by the Senate in a vote of 98 to 0 after hours of negotiations between Democratic and Republican leaders, came as two more White House officials appeared before a federal grand jury reviewing Clinton administration contacts on Whitewater.

In the Senate, leaders of both parties claimed they got what they wanted from the deal on hearings. Minority Leader Robert J. Dole (R-Kan.) got his request for joint leadership meetings to prepare for hearings on all aspects of Whitewater, while Majority Leader George J. Mitchell (D-Maine) succeeded in forestalling any immediate deadlines for holding them.

If the talks do not result in agreement on a plan for hearings, Dole said, "we'll be back on the floor" for further directions. Dole said he hoped his talks with Mitchell could begin next week.

The agreement, which followed protracted and bitter wrangling over GOP demands for hearings, said they should cover "all matters" related to the controversy that has come to be known as Whitewater, including the Arkansas land-development corporation by that name that was half-owned by President Clinton and Hillary Rodham Clinton in 1978.

To overcome objections from Robert B. Fiske Jr., the special counsel investigating Whitewater, the agreement stipulated that no witness would be granted immunity from prosecution over Fiske's objection and said hearings should be "structured and sequenced in such a manner" that they would not, in Mitchell's and Dole's judgment, interfere with Fiske's probe.

At the White House, which one senior official said was moving from "crisis management to problem management" on Whitewater, Clinton said hearings were up to Congress but referred to the costly history of some hearings.

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Congress "is a co-equal branch of government and they ought to do whatever it is they think is the right thing to do," he said. But Clinton said the situation reminded him of an 1800s case -- which historians later called apocryphal -- in which Congress spent thousands of dollars to investigate the White House purchase of a $ 40 mirror.

Behind the scenes, accountants working with lawyers for the Clintons neared completion of a new financial accounting of their interest in Whitewater and the couple's tax liability. A source said it would be "a few days or a week" before the work is done but said it would show the Clintons lost "somewhat less" than the $ 69,000 they have maintained. Until recently, the Clintons have said that was their loss on the Whitewater investment and that they may have some minor additional tax liability.

An administration source said the Clintons wanted to release the new accounting but not until discussions with Fiske are held. The Clintons have maintained -- and continue to maintain -- that Whitewater was simply an investment that lost money, and when all the investigations are complete it will remain just that.

Release of a new accounting of the Whitewater investment is intended to answer questions that have been outstanding for months. The White House now acknowledges that refusing to clear up questions about the investment was a mistake. But it remains unclear how much information the Clinton legal team will release in the coming weeks.

At U.S. District Court here, departing White House counsel Bernard Nussbaum spent about four hours before a grand jury looking into contacts between White House and Treasury officials on Whitewater.

These proceedings were expanded by Fiske yesterday with a subpoena to George Stephanopoulos, the 11th administration official ordered to appear before a grand jury here.

Nussbaum said after his appearance before the grand jury that he "answered every question" put to him about the three meetings he attended with representatives of the Treasury Department. The discussions between September and February have been described as procedural briefings that did not focus on the details of civil and criminal probes of Whitewater and Madison Guaranty Savings & Loan, a failed Arkansas thrift.

Nussbaum was the highest ranking White House official at the meetings and took the brunt of complaints that contacts between the White House and Treasury risked the appearance of impropriety. He was forced to resign shortly after the meetings were made public but will remain in place until April 5, when Lloyd Cutler will take the counsel post.

As he navigated the crowd of reporters and photographers camped out at the court house, Nussbaum said he and members of his staff violated no rules. "I, like all in my office, acted at all times legally and ethically," he said.

By midafternoon, Deputy Chief of Staff Harold Ickes had arrived to testify about his attendance at one session. Yesterday's appearance by Nussbaum and Ickes followed similar appearances before the grand jury last week by two aides

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to Hillary Clinton and by Mark Gearan, White House communications director. Six more officials remain to testify.

In sharp debate over hearings before the Mitchell-Dole agreement was worked out, Dole contended that Democrats repeatedly investigated GOP administrations during inquiries by outside counsel and objected to what he called their "double standard" in resisting probes of Democratic administrations.

The Democrats "can't hide behind Mr. Fiske," said Dole.

Congress cannot "sit on our hands until the special counsel completes his investigation," which could take years, added Sen. Alfonse M. D'Amato (R-N.Y.), a co-sponsor of the GOP proposal.

Mitchell accused Republicans of exploiting Whitewater to make it more difficult for Clinton to win passage of health care legislation and other major administration initiatives. "Make no mistake about it, this is pure partisan politics to embarrass the president, to make it more difficult to get the president's program passed," Mitchell said.

Mitchell and other Democrats took delight in noting remarks Wednesday by former senator Barry M. Goldwater (R-Ariz.), a leading conservative and the GOP's 1964 presidential nominee, who was quoted as saying senators should "get off his [Clinton's] back and let him be president."

In the House, Minority Leader Robert H. Michel (R-Ill.) said Republicans there are considering forcing a symbolic vote on whether the House should hold hearings. This vote could come in connection with a resolution on funding committee investigations, which the House has scheduled for action next week, aides said.

As his Washington grand jury was hearing White House testimony, Fiske was meeting on Capitol Hill with Rep. Jim Leach (R-Iowa), the ranking minority member on the Banking and Urban Affairs Committee and other House Republicans. Leach said he would be willing to forgo calling "certain witnesses" to testify at a Banking Committee hearing on the Resolution Trust Corp. scheduled for Thursday. Leach had listed 40 witnesses related to Madison Guaranty that he planned to summon to testify.

"It is possible, on the advice of Mr. Fiske, I may cull some names from the list," Leach told reporters. Later, he added: "We would hold off on certain witnesses, yes."

House Minority Whip Newt Gingrich (R-Ga.) said he had suggested to Fiske a series of House hearings that would "follow the grand jury trail, . . .always allowing the independent counsel to have the first crack" at interviewing witnesses before the grand jury.

Rep. Dan Rostenkowski (D-Ill.) yesterday issued a clarification of his statement Wednesday calling Whitewater hearings inevitable. "I do not believe there should be a congressional investigation into the Whitewater situation. Such a probe would be a serious mistake that would impede the legitimate investigations that are already in progress," Rostenkowski said. "It is clear that those who want a congressional investigation are making a partisan effort to divert public attention from Bill Clinton's substantive successes. I'm

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confident that the voters are too smart to fall for such a cheap and transparent ploy."

Staff writers Howard Schneider and Kenneth J. Cooper contributed to this report.

GRAPHIC: PHOTO, JOURNALISTS SURROUND WHITE HOUSE COUNSEL BERNARD NUSSBAUM AS HE LEAVES COURT YESTERDAY AFTER APPEARING BEFORE A GRAND JURY REVIEWING WHITEWATER. JAMES A. PARCELL; PHOTO, RAY LUSTIG

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 18, 1994

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LEVEL 1 - 30 OF 33 ITEMS

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The Washington Times

March 18, 1994, Friday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1706 words

HEADLINE: Senate OKs Whitewater hearings ;
Unanimous vote follows word that Fiske subpoenaed Stephanopoulos

BYLINE: Paul M. Rodriguez; THE WASHINGTON TIMES

BODY

The Senate last night agreed to Republican demands and voted unanimously to hold hearings on the Whitewater-Madison affair involving President Clinton and first lady Hillary Rodham Clinton.

The 98-0 Senate vote, on a joint resolution by Majority Leader George Mitchell and Minority Leader Bob Dole, came after a series of meetings including special counsel Robert B. Fiske Jr., Republicans and Democrats on Capitol Hill.

Mr. Mitchell, Maine Democrat, and Sen. Daniel Patrick Moynihan, Senate Finance Committee chairman, were at the White House yesterday to talk to Mr. Clinton about health care, and a White House official said they did not discuss the Whitewater-Madison compromise on the hearings. The White House last night would not comment on the Senate vote.

The vote came after it was disclosed that Mr. Fiske had subpoenaed senior White House adviser George Stephanopoulos, a member of Mr. Clinton's inner circle, to appear before a federal grand jury investigating the matter.

The confirmation of the Stephanopoulos subpoena came hours after two other senior Clinton aides, outgoing White House Counsel Bernard Nussbaum and Deputy Chief of Staff Harold Ickes, testified before the Whitewater-Madison grand jury in Washington.

Mr. Clinton went to Capitol Hill for different reasons but again was confronted with reporters' questions about the expanding controversy.

The president, who had lunch with House Speaker Thomas S. Foley, Washington Democrat, and others at a traditional St. Patrick's Day gathering in the House, told reporters he still thought Mr. Fiske should be allowed to do his job uninterrupted by congressional hearings.

But in a comment viewed by some as a softening in this stand, Mr. Clinton said Congress "ought to do whatever it is they think is the right thing to do."

The Mitchell-Dole resolution, offered as an amendment to the proposed

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Community Development Banking Act, says Congress has a "constitutional obligation to conduct oversight of matters relating to the operations of government." Without setting a date, it says hearings should be "structured" in a way that will not interfere in the special counsel's probe.

The resolution says the two Senate leaders will "meet and determine the appropriate timetable" for Whitewater-Madison hearings.

Sen. Alfonse M. D'Amato of New York, the most strident GOP senator calling for hearings, said he is pleased because the Senate will probe "abuse of power" in the Whitewater-Madison affair.

Mr. Mitchell said the agreement was "completely consistent with all my public statements" that hearings could be held so long as they did not interfere with Mr. Fiske's work.

Mr. Fiske is leading a federal grand jury investigation of Madison Guaranty Savings and Loan Association of Little Rock and its links to Whitewater Development Corp., an Arkansas real estate partnership of the Clintons, Madison owner James B. McDougal and his then-wife, Susan.

The veteran prosecutor also is investigating reports of document shredding at Mrs. Clinton's former law firm and the death of White House Deputy Counsel Vincent W. Foster Jr., the Clintons' longtime friend and personal attorney.

Mr. Fiske has asked that Congress delay hearings until his inquiry is completed. He has expressed concern that hearings would jeopardize his work - particularly prosecutions - if congressional investigators chose to grant witnesses immunity.

The Senate resolution assures that no witnesses called at the hearings will be granted immunity "over the objection of" Mr. Fiske.

"While we're not trying to compromise the investigation, it could happen," Mr. Dole said, adding that he hopes the hearings will not cause Mr. Fiske problems.

The special counsel added a seventh White House subpoena by summoning Mr. Stephanopoulos.

"I welcome the opportunity to give Mr. Fiske the facts," Mr. Stephanopoulos said in statement issued by the White House.

Congressional sources said the subpoena is aimed at determining what Mr. Stephanopoulos knew about White House briefings on a Resolution Trust Corp. investigation of Madison.

The sources said Mr. Stephanopoulos was aware of the meetings and was briefed about them by some of the participants.

A law enforcement official said Mr. Fiske wants to know if Mr. Stephanopoulos briefed others, and, if so, whom.

Mr. Stephanopoulos was actively involved in the 1992 presidential campaign

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and was the president's leading spokesman and a key adviser when Mr. Clinton took office in January 1993.

A senior administration official said last night that Mr. Stephanopoulos was subpoenaed as a result of what was learned through a subpoena for records from the entire Executive Office of the President. The official said he did not know the precise information being sought but confirmed that Mr. Stephanopoulos has been at the center of White House strategy talks on Whitewater.

Mr. Stephanopoulos was at Mrs. Clinton's side in early January when she debated long distance with her husband, who was in Ukraine, about whether to drop objections to the appointment of a special counsel.

"The entire Executive Office of the President was subpoened, and they apparently are exploring that information with the president's senior advisers," the official said last night.

Another close Clinton adviser, Bruce Lindsey, said Sunday that the grand jury had postponed his testimony a second time because it was too overloaded with information to give him the time it wanted to allot. He said others in the president's inner circle may be called later.

Mr. Fiske met yesterday with senior House Republicans to renew a request for postponement of hearings until after his investigation is completed.

"We expressed our position. Everybody understands it," Mr. Fiske said after a 40-minute meeting with House Minority Leader Robert H. Michel, Minority Whip Newt Gingrich and Rep. Jim Leach of Iowa, the ranking GOP member of the House Banking Committee, who has been conducting his own Whitewater-Madison investigation.

Mr. Michel, Illinois Republican, said that although he and other GOP members understand Mr. Fiske's position, "we have a constitutionally mandated role to exercise our oversight responsibilities when we think it's appropriate."

He said House Republicans hope to avoid a partisan showdown, possibly next week, over a resolution calling for hearings, but that will be up to Democrats.

Mr. Leach suggested that some leeway in structuring hearings is possible to avoid direct conflicts with Mr. Fiske.

But Mr. Leach, who hopes to conduct oversight hearings March 24 on the RTC's handling of the Madison failure, which cost $50 million, insists on "at least one day of hearings."

"I want people to tell their story under oath," said Mr. Leach, whose call for hearings has been blocked by Rep. Henry B. Gonzalez, Texas Democrat and chairman of the Banking Committee.

"On advice of Mr. Fiske I might cull some names" from a list of 40 persons Republicans want to call before the committee, Mr. Leach said.

But Mr. Gonzalez said he will not invite the GOP witnesses because they are not pertinent to his committee's hearings.

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"Tough luck for them," he said.

Mr. Gonzalez said the only witnesses will be the five members of a board overseeing the RTC, which disposes of failed savings and loans.

Despite Mr. Gonzalez's comments, other Banking Committee Democrats discussed holding a hearing for the people on the GOP list to testify, according to the Associated Press. Several Democrats said the chairman's view appears to be in conflict with a House rule that permits the minority party to call witnesses at hearings.

Mr. Gingrich, Georgia Republican, said he has suggested fashioning a series of hearings to track depositions and grand jury testimony of witnesses called by Mr. Fiske. "This way would allow the special counsel to have first crack at the witnesses."

Mr. Nussbaum, who is leaving the White House April 5, testified for four hours yesterday before the grand jury investigating Whitewater-Madison. Mr. Ickes also testified.

The grand jury is looking into whether a number of secret meetings between White House and Treasury Department officials compromised the federal probe of Madison.

Mr. Nussbaum and Mr. Ickes are among 11 current and former White House and Treasury officials subpoenaed to testify on the meetings.

The grand jury last week heard from White House Communications Director Mark Gearan; Margaret A. Williams, Mrs. Clinton's chief of staff; and Lisa Caputo, Mrs. Clinton's spokeswoman.

In related events yesterday:

* Sen. Charles E. Grassley, Iowa Republican, said he discussed with FBI officials last week the billing practices of former Associate Attorney General Webster L. Hubbell in his private law work in Arkansas. A law enforcement source yesterdday said Mr. Grassley's questions were referred by the FBI to Mr. Fiske.

* Rep. Dan Rostenkowski, Illinois Democrat, said yesterday a congressional probe of Whitewater-Madison "would be a serious mistake that would impede the legitimate investigations that are already in progress." The House Ways and Means Committee chairman on Wednesday said a congressional probe is inevitable.

* Rep. Jan Meyers, Kansas Republican, said she has been blocked by Democrats in her effort to force a House vote to compel the administration to answer questions about Whitewater-Madison.

* The American Spectator filed suit in a federal appeals court, seeking release of a sealed affidavit explaining the reason for an FBI search of the office of David L. Hale. Mr. Hale's company made a Small Business Administration-backed loan to Susan McDougal, and some of the money reportedly went into Whitewater accounts.

* Jerry Seper, Frank J. Murray and Paul Bedard contributed to this article,

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which is based in part on wire service reports.
GRAPHIC: Photos (A, color), A) Aide arrives: White House adviser Harold Ickes (left) and his attorney, Bob Bennett, look at the press corps assembled outside the courthouse.; B) House Minority Whip Newt Gingrich (left) and Rep. Jim Leach listen as House Minority Leader Robert Michel answers a question yesterday about the Republican leaders' meeting with special prosecutor Robert Fiske., A) By Kenneth Lambert/The Washington Times; B) By Ruth Fremson/The Washington Times

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 18, 1994

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LEVEL 1 - 31 OF 33 ITEMS

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The Washington Times

March 18, 1994, Friday, Final Edition

SECTION: Part A; Pg. A20

LENGTH: 774 words

HEADLINE: RTC made rules to avoid 'compromising' itself

BYLINE: Jerry Seper; THE WASHINGTON TIMES

BODY

The Resolution Trust Corp., whose leadership has come under fire for briefing White House aides on an inquiry into a failed Arkansas thrift, set up rules in May 1993 to prevent the agency from being compromised in politically sensitive cases.

Treasury Department general counsel Jean Hanson outlined the rules after RTC officials in Dallas had received a "misleading" memo suggesting they drop a pending case against a Louisiana congressman.

In an internal computer memo dated May 17, Richard T. Aboussie, RTC's then acting general counsel, had quoted acting RTC head Roger C. Altman as ordering an end to a pending lawsuit involving Rep. William J. Jefferson, Louisiana Democrat.

Ms. Hanson, in an undated memo, said that the RTC leadership was to be advised on pending litigation, "so we would not be surprised in our dealings with the Hill," but that "no action should be taken to compromise" RTC investigations.

"I have had an opportunity to speak telephonically with Mr. Altman, and have received a memorandum from Jean Hanson . . . on this topic," Mr. Aboussie wrote in his follow-up memo on May 24. "On the basis of those communications, I believe . . . my e-mail to you could therefore be misleading."

Mr. Altman, who is also deputy Treasury secretary, and Ms. Hanson were named as having been involved in briefings of White House officials in connection with an RTC investigation of Madison Guaranty Savings and Loan Association of Little Rock.

Mr. Altman, who has since recused himself from the Madison inquiry and will step down March 30 as acting RTC head, and Ms. Hanson were among 10 former and current Clinton administration officials subpoenaed by Whitewater-Madison special counsel Robert B. Fiske Jr. to testify before a federal grand jury about the briefings.

Madison was owned by James B. McDougal, former business partner with

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President Clinton and his wife, Hillary Rodham Clinton, in the Whitewater Development Corp., a failed north Arkansas land deal also under federal investigation.

Mr. McDougal is suspected of diverting depositor funds from Madison to Mr. Clinton's 1984 gubernatorial campaign. He also is accused of routing the S&L's money to Whitewater. Federal authorities closed Madison in 1989 at a cost to taxpayers of $50 million.

A staunch Clinton presidential campaign supporter, Mr. Jefferson was accused of failing to tell banking regulators he had defaulted on more than $700,000 in loans to S&Ls later taken over by the RTC.

The May 17 Aboussie memo said a pending lawsuit involving Mr. Jefferson should not go forward "without the express prior written permission of Mr. Altman."

The RTC had sought to bar Mr. Jefferson's former law firm - the New Orleans law firm of Bryan, Jupiter, Lewis and Blanson - from further RTC contracts because the firm had failed to notify government regulators of the loan defaults.

Bryan, Jupiter - a law firm with prodigious political connections - was one of the RTC's largest minority contractors and had been awarded nearly $350,000 in government contracts annually.

Mr. Jefferson resigned from the law firm upon entering Congress in 1991. RTC investigators contended that Mr. Jefferson's outstanding loans should have been listed, even though he no was longer affiliated with the firm, since he has maintained a financial relationship with the firm.

RTC investigators from the agency's Outside Counsel Conflicts Committee said the firm failed to disclose in its initial application for RTC business that Mr. Jefferson and his former law partner, Trevor G. Bryan, owed nearly $800,000 to failed S&Ls that had been taken over by the RTC. They said Mr. Bryan's debt totaled about $65,000, while Mr. Jefferson's loan liability was more than $700,000 - from rental properties he purchased with S&L money.

The debt later was resolved when the Jefferson notes were assumed by another financial institution.

The suit was never filed. Mr. Jefferson said at the time he had left the law firm before it sought the RTC business.

In Senate testimony last month, Mr. Altman admitted he secretly briefed White House aides about the agency's Madison probe. Later, White House and Treasury officials confirmed that at least two other briefings had taken place.

The disclosures led to the resignation of White House Counsel Bernard W. Nussbaum, who also had taken part in the briefings. Mr. Nussbaum, whose resignation is effective April 5, spent four hours yesterday before the grand jury.

LANGUAGE: ENGLISH

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The Washington Times, March 18, 1994

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LEVEL 1 - 32 OF 33 ITEMS

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The Washington Times

March 18, 1994, Friday, Final Edition

SECTION: Part A; COMMENTARY; Pg. A22

LENGTH: 804 words

HEADLINE: The 'feeding frenzy'...and the frenzied

BYLINE: R. Emmett Tyrrell Jr.

BODY

Consider the absurdity of the scene! America's journalists, possibly the most sanctimonious collection of bores since the authors of the Mayflower Compact, are now languidly flagellating themselves for engaging in a "feeding frenzy" at the expense of the Clintons.

The Pilgrim bores, circa 1620, called themselves "Saints." Surely, the herd journalists of American media consider themselves "saints" too. Just the other day Rod MacLeish, the Washington bureau chief of Monitor Radio, was solemnly beseeching another local Saint, that congenital groaner Haynes Johnson of The Washington Post, as to whether, apropos of Whitewatergate, all Washington was in a "feeding frenzy." "Oh, 'tis true, 'tis true," responded Dr. Johnson, "'tis all too true."

Egad! Last weekend all Washington echoed with this sort of claptrap as the anointed of the dominant media culture began to betray their sense of phony guilt. And so the media's pre-eminent moral exhibitionists raised the lament that all Washington was amuck in a "feeding frenzy" nibbling on the tender parts of Boy Clinton and his cruelly persecuted wife. But wait! The press was reporting legitimate news stories, created by the incompetents in the White House. That is no "feeding frenzy," you see. That is evidence of abuse of power, conflict of interest, and obstruction of justice. But just to keep things simple for the simpletons now carping about a "feeding frenzy," most of the Whitewatergate news stories are reports of events recently perpetrated by the White House Machiavellians.

It is not the American press' fault that President Clinton's White House counsel and Mrs. Clinton's chief of staff attended controversial meetings with Treasury officials who briefed them regarding the Clintons' involvement in federal bank probes. Reporting those meetings is the press' duty. So is reporting the recent subpoenaing of 10 White House officials and the forced resignation of White House Counsel Bernard Nussbaum. The other day, when Associate Attorney General Webster Hubbel resigned, was the press to look the other way, lest Haynes Johnson and Rod MacLeish descry a "feeding frenzy?" These are legitimate news stories, which the press is duty-bound to report. For that matter, the press was duty-bound to report the Clintons' petulant character assault on Republicans who sought congressional hearings into what appears to be

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the largest agglutination of sleaze since the Nixon administration. Arguably it is larger, involving as it might the removal of Vincent Foster's corpse.

Now Indiana's Rep. Lee Hamilton, one of the most respected Democrats in Congress, has urged congressional hearings. Is he, too, engaged in a "feeding frenzy?" The Clintons' claque insists that all these stories are hoary with age. The collapse of the Madison Guaranty Savings and Loan and the Clintons' Whitewater investment date back to Ronald Reagan's decade of greed. Perhaps Hillary Clinton will charge that Ronald Reagan and Ed Meese encouraged her to take a $2,000-a-month fee from the floundering savings and loan to represent that fly-by-night operation before bank regulators beholden to her husband, the Arkansas governor. Maybe she will claim it was Michael Milken who taught her and her associates to "flip" real estate lots - occasionally several times a day, inflating their value and using these inflated values to artificially pump up their asset values. And maybe it was the Bush administration and not the governor of Arkansas that enhanced the Whitewater development by building roads into its otherwise remote hills and forests.

OK, let bygones be bygones, but the present White House coverups are as current as the morning newspaper, and the fallout should be reported. Actually, the press has been very cautious about speaking ill of the Clintons. Washington bureau chiefs have actually muzzled some hard-working journalists who obviously have been sitting on information for months. That was certainly true of the Los Angeles Times' reluctance to publish Jonathan Rempel and Douglas Frantz's scrupulously reported story on Troopergate. And now in the immediate aftermath of Mr. Hubbell's resignation, a splendidly informative story by The Washington Post's Howard Schneider and Sharon Walsh reports a vast amount of information about nearly a dozen of Mr. Hubbell's questionable dealings both as a lawyer at the Rose Law Firm and as associate attorney general. One wonders how long the reporters gathered that information and if it would ever have seen the light of day without Mr. Hubbell's hasty exit. This is not a frenzy of feeding but a frenzy of events.

R.Emmett Tyrrell Jr. is editor-in-chief of the American Spectator.

GRAPHIC: Cartoon, NO CAPTION, By Wright/Providence Journal-Bulletin (3/94)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 18, 1994

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LEVEL 1 - 33 OF 33 ITEMS

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The Washington Times

March 18, 1994, Friday, Final Edition

SECTION: Part A; COMMENTARY; OP-ED; Pg. A25

LENGTH: 949 words

HEADLINE: With friends like these, Bill Clinton needs no enemies

BYLINE: Meredith L. Oakley

BODY

Be truthful now. Are you really surprised that an administration which has relied on "war rooms" to come to power, to develop its issues and to advance its causes is reported not to be discombobulated by the onset of bunker mentality?

A veritable stable of spin doctors has been unable to control or derail a White House scandal born of controversy sustained by the confluence of its several seemingly inconsequential parts.

The reported mood swings between anger and depression in the Clinton White House are understandable given the history of its chief occupants. The president and the first lady have experienced the public's loss of confidence before, to a lesser degree and on a much smaller stage, but in sufficient quantity to topple them from what was then a crucial ledge in their climb to the American political pinnacle.

Their protestations aside, the Clintons cannot help but take seriously what pundits have so unimaginatively dubbed Whitewatergate. That they misjudged the story's dynamics attests to how little they learned the first time around in a place called Arkansas.

It was not scandal but effrontery and arrogance and, yes, inexperience that undid Bill Clinton in Arkansas. Given the luxury of a four-year term, he probably would have recovered in time to be re-elected, as he probably will in this instance, but that as a fledgling president he should repeat so many mistakes made as a fledgling governor must strike some Clinton watchers as incongruous.

Not at all. His has always been a limited vision, a single-minded pursuit of greatness, but what sets Mr. Clinton apart from others involved in such quests is his ability to attract disciples - young, idealistic, righteous disciples - to his cause. Unfortunately, in their zeal to serve him, they do not always serve him well, and so more pragmatic heads must be assembled to salvage the operation.

Despite their resolve, or perhaps because of it, the young, the idealistic and the righteous are pliable creatures, capable of moving easily from the

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headiness of ordinance to defiant, defensive ordnance when their causes appear threatened by less enlightened souls. That the greatness and accomplishment they would bring would be challenged by ignorance and pettiness and inanity is more than a personal affront, it is treachery. Messiahs are supposed to be beloved.

Clinton's first term as governor was defined by its youthfulness and undermined by the concomitant lack of wisdom born of experience. It was guided by a coterie of young visionaries who handled their power and influence no better than adolescents handle liquor, whose enthusiasm for the cause -to take a backward state and shove its various socioeconomic aspects into the 20th century - had been motivated by but subservient to their belief in the primacy of its champion. Such was their youth and fervor that skeptics christened Mr. Clinton's administration "the Children's Crusade."

But Mr. Clinton was not greedy. He kept the glory and delegated the power to a triumvirate of executive aides, deridingly referred to by critics as "assistant governors," who divided the administration of government among the faithful Friends of Bill and Friends of Hillary who had helped erect the House of Clinton. Never mind that many lacked practical experience in their chosen areas of authority or the people skills to treat their subjects with respect and dignity. Their reign was, as one pundit has described the Clinton White House of late, a perpetual cocktail party, one pervaded by poor judgment, bad management, public relations blunders and arrogance.

Then the party ended, and the revelers could not correct their mistakes because they were unable to admit that mistakes had been made. Such admissions were left to Bill Clinton following his ouster after only two years in the governor's office, and he gave every appearance of having been humbled by the public's rejection of what had been a decidedly upstart administration. When he re-entered the political spotlight, he was an older, wiser, more sober leader surround by by older, wiser, more sober acolytes whose apparent stability, maturity and experience restored public confidence in Mr. Clinton's ability to administer government.

Recent history and current events lead one to suspect that President Clinton has forgotten what losing the governorship taught him: that his first loyalty is to the people he serves, not to those who would serve him.

After an erratic first year in the White House, the number of controversies outstrips the number of accomplishments in the public eye: Zoe Baird, Lani Guinier, Travelgate, $200 haircuts, the death of Vince Foster, Whitewater, Madison Guaranty, the resignations of Bernard Nussbaum and Webb Hubbell. What's next?

Well, one would think that, given the luxury of a four-year term and his tenacity, Mr. Clinton will rebound, but the rebounding will not be easy. He is no longer in a position to control all the elements that influence public perception, and most of the people whose job it is to manage White House affairs and to put the proper spin on things are themselves wounded or missing in action. The recent lament attributed to Hillary Clinton - "Where are our friends?" - missed the point. Most of their friends are still around. That may be the problem.

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The Washington Times, March 18, 1994

Meredith L. Oakley is associate editor and political columnist for the Arkansas Democrat-Gazette. She is the author of "On the Make: The Rise of Bill Clinton," forthcoming in July from Regnery Publishing.
LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 18, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Trudy Walsh
Paula Stone
Lisa D. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: February 28, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are sixteen (16) news articles from Nexis, relating to Madison Guaranty, covering the period of February 25-27, 1994.

1ST ITEM of Level 1 printed in FULL format.

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February 27, 1994, Sunday, Late Edition - Final

SECTION: Section 4; Page 14; Column 1; Editorial Desk

LENGTH: 671 words

HEADLINE: Slovenly White House Ethics

BODY

President Clinton and his helpers keep saying they have nothing to hide on Whitewater. So some evil genie must be making them act as if they do. The latest affront is the boneheaded conclave convened by Deputy Treasury Secretary Roger Altman to give a "heads up" to three White House officials about the Resolution Trust Corporation inquiry into a savings and loan association connected to Mr. and Mrs. Clinton.

Mr. Altman said he wanted to brief Bernard Nussbaum, the White House counsel, Harold Ickes, the deputy chief of staff, and Margaret Williams, the First Lady's chief of staff, on when the statute of limitations would run out on the R.T.C. investigation of Madison Guaranty Savings and Loan.

That is an interesting question and not unrelated to other questions that Republicans on the Senate Banking Committee and other reasonably curious Americans would like to have answered. Here are four:

1. Was Madison used to convert Clinton campaign funds to personal funds for the then Governor?

2. Did a regulator appointed by Governor Clinton go easy on Madison because it was owned by the Clintons' political ally, James McDougal, who was also the Clintons' business partner in the Whitewater Development Company?

3. Did the Clintons pay the same amount of money for their half share of Whitewater that Mr. McDougal paid for his? This question is important because it bears on whether Mr. Clinton, while Governor, received gifts or claimed undeserved tax deductions in connection with Whitewater.

4. Did Mrs. Clinton's law firm behave properly in its dealings with Madison and bank regulators?

Given that such questions are now before a special counsel and the R.T.C., a meeting between Mr. Altman and top White House aides was improper on its face. It could never have taken place in a White House that had even a rudimentary respect for the common-sense rules on conflict of interest. The Clinton team has taken the nation back to the sham ethics of the early Reagan Administration. That crowd believed conflicts of interest could not exist since they could not conceive of letting any law or rule of propriety interfere with the political and financial interests of the President or his buddies.

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The stated reason for this meeting will not wash. Information on the statute of limitations could be had from the newspapers or a brief memo from the R.T.C. legal staff. Senator Alfonse D'Amato and Representative Jim Leach therefore have reason to suspect that the goal of the meeting was to control political damage or compromise the R.T.C.'s investigation. Who knows what the White House has learned about the R.T.C. findings? After all, it was only through Mr. D'Amato's efforts that the Government released an R.T.C. document suggesting that Mrs. Clinton's law firm had failed at proper disclosure of its dealings with Madison.

In response to bad publicity, Mr. Altman has recused himself from the R.T.C. inquiry on Whitewater. His R.T.C. deputy should now take over all his duties at the agency until a permanent director is appointed. Senator Donald Riegle, the chairman of the Senate Banking Committee, needs to step up his committee's oversight activities. Other Democrats like Senator John Kerry need to cease their myopic defense of Mr. Clinton on a matter about which neither the Senator nor the public has been fully informed.

Opposition leaders are right when they say that a Republican White House that so recklessly meddled in the Justice Department, the R.T.C. and other agencies would be shelled with endless Congressional investigations. It is time for the Democratic Congressional leaders, Thomas Foley and George Mitchell, to try to educate this White House about the normal protocols of governance. Explaining what Representative Leach meant when he said "arm's length" would be a start.

Clinton aides behave as if their President had deep deposits of public trust. In fact, that account was pretty slim when Mr. Clinton got to Washington, and it is just about tapped out now.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 27, 1994

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LEVEL 1 - 1 OF 15 STORIES

The Associated Press

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February 27, 1994, Sunday, AM cycle

SECTION: Washington Dateline

LENGTH: 729 words

HEADLINE: Regulators Raised Conflicts Issue But Were Overruled, Documents Show

BYLINE: By LARRY MARGASAK, Associated Press Writer

DATELINE: WASHINGTON

BODY

Two federal regulators raised concerns in 1989 that Hillary Rodham Clinton's law firm had conflicts of interest in representing the government in an Arkansas savings and loan failure, documents show.

Their worries, however, were overruled by Federal Deposit Insurance Corp. lawyer April Breslaw who wrote: "On these facts, I am not inclined to take a $ 10 million case away from counsel that has obtained fine results for me on other matters."

Sen. Alfonse D'Amato of New York, ranking Republican on the Senate Banking Committee, released the documents, saying they raise new questions about the FDIC's recent finding that cleared the Rose Law Firm, where Mrs. Clinton worked, of any conflicts.

Rose's work in the case of Madison Guaranty Savings and Loan has now become part of the special prosecutor's investigation of the Whitewater affair and the first family's business dealings. The Clintons were partners in the Whitewater real estate venture with James McDougal, who headed the failed S&L.

D'Amato demanded the FDIC's inspector general investigate the agency's earlier findings.

Andrew C. Hove Jr., acting chairman of the FDIC, responded Friday by instructing the IG to examine whether the Rose firm had "any conflicts of interest or other improprieties..." when it helped the government sue S&L wrongdoers.

The FDIC's decision to reconsider the conflicts issue was a victory for Republicans who incessantly attacked the issue during a Senate Banking Committee hearing Thursday.

One of the potential conflicts cited by Hove involved Mrs. Clinton's

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representation of federal regulators in a savings and loan case against a family friend and political supporter.

The FDIC previously concluded that Mrs. Clinton spent just two hours of work on the case. Her activities appeared to involve reviewing an amended complaint, in which the judgment being sought was reduced from $ 3 million to $ 200,000, the FDIC said.

The FDIC also concluded this month that it could find no evidence of a conflict in the Madison case.

The government had taken control of Madison after it failed in 1989 and had hired Mrs. Clinton's firm to sue Madison's former accountants for negligence and breach of contract. The case was handled by Rose partner Webster Hubbell, now the No. 3 official in the U.S. Justice Department.

Four years before the contract was awarded, Rose firm lawyers, including Mrs. Clinton, worked for Madison in regards to its failure on a state regulatory matter.

But it was a second matter in the Madison case that caught the attention of regulators.

FDIC lawyer Paul A. Jeddeloh wrote Breslaw in a June 8, 1989 memo that Hubbell's father-in-law, Seth Ward, had extensive financial dealings with the S&L and had recently won a $ 447,000 judgment against it.

In addition, Hubbell's brother-in-law, Seth Ward II, has also sued Madison, Jeddeloh noted,

"I offer this information because there appears to be a conflict in representation and a question of loyalties. Mr. Hubbell may or may not be able to compromise our interests in the Seth Ward matter" in which the FDIC was appealing the judgment, the memo said.

On Aug. 10, 1989 a federal credit specialist, Ken K. Schneck, wrote an FDIC official that in the suit against the Madison accountants, information on the institution's practices would be made available to Hubbell.

"To believe that none of this information will make it back to his family is naive," the letter said. "I do not know whether or not any information upcoming will be damaging. However, I would like someone with a wide scope of authority to review the situation and possibly eliminate this conflict."

Breslaw, the FDIC attorney who received the warnings, rejected them, writing a regulator in charge of Madison that it was "important to keep things in perspective."

She said Hubbell was not representing his in-laws against the government and was "involved only in an indirect way" in working for government regulators. Another partner in the Rose firm was the primary lawyer in representing the government, Breslaw said.

Under the regulations in place at the time, regulators could disqualify a contractor if they learned of an actual conflict - like a law firm helping sue

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bank or S&L officials they once represented.

Today, the conflict scrutiny includes an examination of both actual and potential conflicts.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 27, 1994

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LEVEL 1 - 2 OF 15 STORIES

The Associated Press

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February 27, 1994, Sunday, BC cycle

ADVANCED-DATE: February 24, 1994, Thursday, BC cycle

SECTION: Domestic News

LENGTH: 973 words

HEADLINE: After 'Period Of Darkness,' Key Figure in Clinton Probe Finds Spotlight

BYLINE: By DAN SEWELL, Associated Press Writer

DATELINE: ARKADELPHIA, Ark.

BODY

With a touch of his old confidence, James McDougal pushes his tray down the line of a buffet restaurant where he regularly orders the $ 3.59 grilled chicken dinner. The cashier welcomes him as "Mr. Jim."

The respectful greeting harkens to brighter days when McDougal dined among Arkansas' political elite as the owner of a small banking and real estate empire that lured a U.S. senator, governor and even a future U.S. president to his doorstep.

Gone is the wife who wooed land buyers astride a white stallion in ubiquitous TV commercials. Gone, too, is his reputation as a real estate wizard. And when people talk about his friendship with America's first family, it's only in the past tense.

Today, McDougal lives in a trailer home in this south Arkansas city of 10,000, surviving on monthly Social Security disability checks and medication for depression.

Nonetheless, he has emerged into the national spotlight - a key player in an awkward investigation of the financial past of President Clinton and Mrs. Clinton. It's a probe Clinton says will cost millions only to establish he did nothing wrong.

"If people are going to tell your life story, they ought to tell it right," McDougal says, settling into the booth at Western Sizzlin and doffing his fishing hat to display a head that's been freshly shaved in preparation for a network TV appearance.

An erudite man who quotes from Scripture, political history and classic

literature, McDougal, 53, says he fears neither future legal problems nor a life-threatening artery condition.

"Am I suffering? Oddly enough, I'm not. I'm not being treated like a pariah, and many people are very nice to me," he says.

In Washington, Rep. James Leach, the ranking Republican on the House Banking Committee, has accused McDougal of using his Madison Guaranty S&L "as a personal piggybank." He's been depicted as a reckless high roller who lived a "Diamond Jim" persona.

A former employee remembers him differently.

"He was very family oriented; he was not flamboyant," says Sarah Worsham Hawkins, who worked as a senior vice president at Madison. "He had a lot of vision about what he wanted to do."

Special prosecutor Robert Fiske must now sort through McDougal's interlocking personal, political and financial relationships with Arkansas' elite, including Clinton, U.S. Sen. J. William Fulbright and Gov. Jim Guy Tucker.

Their dealings involved Madison, which failed in 1989 at a cost of $ 47 million to taxpayers, and the Whitewater Development Corp., a joint, money-losing real estate venture with the Clintons.

Fiske must determine whether funds from the S&L were illegally diverted in the mid-1980s to pay the political and personal debts of prominent Arkansans, including then Gov. Clinton.

McDougal has already been prosecuted for fraud. After a psychiatric hospitalization that determined he was competent to stand trial, he was acquitted in 1990.

But circumstances have since evolved. Now the allegations suggest the current occupant of the White House benefited from questionable S&L transactions.

That alone brought increased stature to an otherwise relatively small failure in the multibillion dollar S&L debacle.

McDougal, too, has changed, according to Sam Heuer, who met McDougal as his court-appointed lawyer in 1989.

"He's regained a lot of his confidence. He has a lot of righteous indignation. And I think he feels a duty to get things out because it involves the president of the United States - a personal friend," Heuer says.

Last fall, when new questions about the Clintons' involvement at Whitewater and Madison emerged, McDougal did his best to avoid reporters.

But in the past month, he has started answering questions. While expressing disdain for "irresponsible scriveners" and "Northern journals," he appears to have warmed to the task of "entertaining the press."

He tells reporters that vengeful Republicans, overzealous federal regulators

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and his health problems are to blame for the S&L's failure, not some sinister scheme.

His explanations, though, can sometimes lead to more questions.

In an interview with The Associated Press in January he questioned the Clintons' claim to have lost nearly $ 69,000 as passive investors in Whitewater, saying his "records" showed they'd only invested $ 9,000. But then he acknowledged the "records" were his memory, which at times can be fuzzy.

He calls the late 1980s "the period of my darkness."

In 1986, he was crippled by stroke and depression and was ousted from Madison's management after regulators expressed alarm about the thrift's activities.

His speculative land ventures collapsed, along with his marriage to Susan McDougal, a partner in the Whitewater venture.

He followed his wife to Los Angeles after his fraud trial, but they were divorced there. He filed for bankruptcy before returning to share a trailer with his ailing mother, living mainly on his Social Security disability payments, which total less than $ 1,000 a month. His mother died last September.

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He says the artery condition leaves him with just a few years to live.

"I don't have anybody," he says. "I'm at the end of the road, buddy, so it doesn't matter what anybody thinks or says about me. It's only old Jim."

He smiles mischievously as he discusses the possibility of new charges against him.

"Aw, I really do like Mr. Fiske. He reminds me of Wendell Willkie - another barefoot lawyer from Wall Street."

And as for the prospect of a federal prison term: "It would mean very little change in my circumstances."

EDITOR'S NOTE: Dan Sewell is The AP's Southeast Regional Writer, based in Atlanta.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 27, 1994

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LEVEL 1 - 3 OF 15 STORIES

The Associated Press

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February 26, 1994, Saturday, AM cycle

SECTION: Domestic News

LENGTH: 973 words

HEADLINE: After 'Period Of Darkness,' Key Figure in Clinton Probe Finds Spotlight

BYLINE: By DAN SEWELL, Associated Press Writer

DATELINE: ARKADELPHIA, Ark.

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LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 26, 1994

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LEVEL 1 - 4 OF 15 STORIES

The Associated Press

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February 26, 1994, Saturday, PM cycle

SECTION: Washington Dateline

LENGTH: 536 words

HEADLINE: Altman Steps Downs As Acting RTC Head, Recuses Himself From Madison

BYLINE: By JAMES H. RUBIN, Associated Press Writer

DATELINE: WASHINGTON

BODY

In the short time he has remaining as acting head of the savings and loan cleanup agency, Deputy Treasury Secretary Roger C. Altman is severing all ties to the investigation of an Arkansas S&L involving President Clinton.

Altman announced his move Friday, a day after he acknowledged he recently gave the White House a private briefing on the status of the agency's investigation of Madison Guaranty Savings and Loan.

The S&L was owned and operated by James McDougal, a partner in President and Mrs. Clinton's Whitewater real estate venture and a key figure in special counsel Robert Fiske's current investigation into the Clintons' business dealings.

Altman's temporary tenure as head of the Resolution Trust Corp. is set to expire March 30, but until Friday he had not distanced himself from the Madison case.

During a Senate Banking Committee hearing Thursday that focused on Whitewater, Altman acknowledged that he had briefed White House counsel Bernard Nussbaum, presidential adviser Harold Ickes and Margaret Williams, Mrs. Clinton's chief of staff, earlier this month on the progress of the RTC's probe of Madison.

Altman described the meeting as routine and said it involved only giving a general description to the White House of how the RTC generally proceeds in such cases. He said he initiated the session.

It came just weeks after the White House sought to distance itself from the Madison-Whitewater case by naming Fiske to conduct an independent investigation.

Republicans suggested the Altman incident was evidence of political meddling by the Clinton administration.

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In its announcement, the Treasury Department said Altman "will have no role" at the RTC after his temporary tenure expires next month. He'll return to his job at the Treasury Department.

"In the interim, he will be recused from all matters relating to Madison Guaranty, " Treasury said.

On Friday, Republicans released new portions of a transcript of a tape-recorded 1992 conversation between McDougal and Sheffield Nelson, a political rival of Clinton's in Arkansas.

The transcript excerpts include several vague statements attributed to McDougal that suggest the Clintons cheated on their income taxes in connection with Whitewater.

But statements attributed to McDougal in the conversation contradict assertions he has made in recent interviews.

For instance, in the transcript McDougal is quoted as telling Nelson the Clintons never "paid me a penny's interest," even though they deducted a $ 9,500 interest payment to him from their 1980 taxes.

But McDougal told The Associated Press in January that he recalled the Clintons making about $ 9,000 in payments to him around that time.

McDougal said Friday night that the transcript did not sound like the way he talks.

"It sounds fabricated," he said. "I'm reserving any further comment until whatever Republican prepared the transcript makes the original tape available." He said the tape should also be given to the special prosecutor.

Nelson did not immediately return a call seeking comment.

Rep. Jim Leach of Iowa, the ranking Republican on the House Banking Committee, said the suggestions of tax improprieties need to be further investigated.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 26, 1994

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LEVEL 1 - 5 OF 15 STORIES

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February 26, 1994, Saturday, Final Edition

SECTION: FIRST SECTION; PAGE A7

LENGTH: 1084 words

HEADLINE: Senior Official Steps Aside in Probe Of S&L Linked to Clintons' Venture

SERIES: Occasional

BYLINE: Susan Schmidt, Charles R. Babcock, Washington Post Staff Writers

BODY

Deputy Treasury Secretary Roger C. Altman, a political appointee serving as temporary chief of the federal thrift cleanup agency, recused himself yesterday from any further action on the investigation of an Arkansas savings and loan with ties to President Clinton and Hillary Rodham Clinton.

Altman announced he was taking the step one day after revealing during congressional questioning that he recently briefed White House officials on how his agency would proceed with potential civil claims growing out the failure of Madison Guaranty Savings & Loan. Altman's disclosure, under questioning from Republican senators, was criticized as evidence that the White House is improperly interfering in a case that directly affects the Clintons.

Altman also said he will step down as interim head of the Resolution Trust Corp. at the end of March. The administration is expected to nominate a permanent chief soon for the RTC, which by law is supposed to be an independent federal agency. Treasury officials said Altman did not believe the Madison investigation presented a conflict for him but realized there was the appearance of conflict and decided to recuse himself for that reason.

The RTC is disposing of failed S&Ls and pursuing civil and criminal cases against officers, directors, lawyers, accountants, borrowers and others. Hillary Clinton and her former associates at the Rose Law Firm in Little Rock, Ark., represented Madison before state regulators in the mid-1980s.

Altman told the Senate Banking Committee that he contacted White House counsel Bernard Nussbaum about three weeks ago and offered to meet with him to explain what the RTC would do as the deadline for filing civil claims in the Madison probe neared. That deadline was Feb. 28, but Congress has extended it until the end of 1995.

Altman said he met with Nussbaum; Margaret Williams, Hillary Clinton's chief of staff; and the president's deputy chief of staff, Harold Ickes, who has been assigned the task of damage control in the Whitewater probe.

White House officials yesterday defended the meeting. "There's nothing

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improper about it," said White House press secretary Dee Dee Myers. "He basically informed the White House -- as he did Congress, as he did the press. It was strictly a procedural briefing. There was nothing available that was not available to members of the press or Congress."

Altman said he told White House aides during the meeting that if the RTC found a claim was warranted, it would either file a lawsuit or ask potential defendants to voluntarily sign agreements extending the deadline. He said he already had given such information to inquiring Republican members of Congress.

Meanwhile, Rep. Jim Leach (Iowa), the ranking Republican on the House Banking Committee, yesterday released portions of a taped conversation in which the Clintons' former business partner, James McDougal, disputes their accounting of their investment in their joint Whitewater land venture. McDougal said in the 1992 conversation that the Clintons never made a $ 9,000 interest payment that they claimed on their 1980 federal income taxes and that they used corporate assets to pay off a personal loan.

In a memo to minority committee members, Leach said McDougal's comments "appear to indicate that the Clintons lost no money in Whitewater" and "suggest that the tax consequences which emanate from this venture merit careful scrutiny."

Leach, who has been gathering documents for hearings he plans to hold next month on the Whitewater matter, said in an interview yesterday that he considered McDougal's comments important because, "he is sitting down with book ledgers, which lends it great credibility." The tape was made during a talk McDougal had in the spring of 1992 with Sheffield Nelson, who ran for governor against Clinton in 1990 and was himself an investor in a project financed through the McDougal-owned Madison Guaranty Savings & Loan.

The Clintons claimed in their 1980 federal tax returns that they made $ 9,000 in interest payments to McDougal related to the Whitewater venture. "They didn't pay me. . . . They have never paid me a penny's interest," McDougal said.

In recent weeks, McDougal has said that he could recall the Clintons putting about $ 13,500 into Whitewater, not the $ 68,900 they claimed when the investment became an issue in the 1992 presidential primaries and since.

Referring to the 1992 taped conversation, Bruce Lindsey, a senior White House aide, said yesterday, "I think he [McDougal] is confused. He has said he is relying on his memory with these amounts, and his memory is mistaken."

Lindsey said in an earlier interview that he believed the Clintons paid McDougal $ 9,000 in 1980 to compensate him for interest he had paid on a joint loan used to finance the Whitewater venture.

Special counsel Robert B. Fiske Jr. is now trying to sort out Whitewater's finances as part of an intense Justice Department investigation.

In the taped conversation with Nelson, apparently just after the Clinton campaign released a report about the Whitewater investment, McDougal said: "I could sink it [the $ 68,900 figure] quicker than they could lie about it if I could get in a position so I wouldn't have my head beaten off. And Bill knows

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that."

In the transcript, McDougal said the Clintons personally sold "a corporate asset" for which Whitewater had made all the payments. He was referring to a lot and model home on the Whitewater property. Lindsey said the Clintons made some payments on the lot.

Last night, McDougal said a transcript read to him "sounds fabricated." He told the Associated Press, "I'm reserving any further comment until whatever Republican prepared the transcript makes the original tape available."

In another development, Sen. Alfonse M. D'Amato (R-N.Y.) accused Democratic National Committee Chairman David Wilhelm of using "political intimidation tactics" in a letter criticizing D'Amato for leading the GOP charge on Whitewater.

In the Feb. 25 letter, Wilhelm said D'Amato's own actions "present a clear pattern of conflict of interest over savings and loans and other business interests." As one example, he cited a Senate ethics committee probe of D'Amato's conduct in permitting his brother Armand to send letters under his name to the Pentagon to lobby for a contract.

D'Amato's reply said the letter "reconfirms my suspicion that something is rotten in Little Rock."

Staff writer Ruth Marcus contributed to this report.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 25, 1994

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LEVEL 1 - 6 OF 15 STORIES

Copyright 1994 News World Communications, Inc.
The Washington Times

February 26, 1994, Saturday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 929 words

HEADLINE: Treasury deputy Altman quits Whitewater probe

BYLINE: Michael Hedges; THE WASHINGTON TIMES

BODY

Deputy Treasury Secretary Roger C. Altman yesterday recused himself from the probe of a failed Arkansas savings and loan linked to President Clinton and said he will step down March 30 as acting head of the S&L liquidation agency.

The Treasury Department issued the announcement the day after Mr. Altman told a Senate panel he had briefed White House officials on the status of the Resolution Trust Corp.'s probe of Madison Guaranty Savings and Loan.

Madison was owned by James B. McDougal, a former business partner with Mr. and Mrs. Clinton in the Whitewater Development Corp., a failed land deal also under federal criminal investigation.

Mr. McDougal is suspected of diverting depositor funds from Madison to Mr. Clinton's 1984 gubernatorial campaign using overdrawn accounts and Madison-approved loans. He also is accused of diverting the S&L's money to Whitewater.

Before yesterday's announcement, Mr. Altman had been expected to step down as the RTC's head at the end of next month, but he had not removed himself from the Madison case.

Legal experts yesterday criticized his decision to brief White House Counsel Bernard Nussbaum, Deputy Chief of Staff Harold Ickes and Mrs. Clinton's Chief of Staff Margaret Williams on the investigation.

"I probably would have advised him not to have that meeting," said Roy Simon, a law professor at Hofstra University and a former board member of the American Civil Liberties Union.

William L. Seidman, former RTC board chairman, said the RTC director is supposed to be "independent" and noted Mr. Altman's primary duty as a Treasury Department official.

"As a member of the Treasury Department I don't know of any restraints on him briefing the White House, but I think he was caught in a Catch-22," Mr. Seidman said.

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The Washington Times, February 26, 1994

"It was thoroughly unprofessional and raises many questions of ethics," said Rep. Jim Leach, Iowa Republican, who has led House efforts to investigate the Whitewater-Madison controversy.

Mr. Leach, ranking minority member of the House Banking Committee, said the Altman meeting would be an issue at a House oversight hearing on the RTC next month.

On Thursday, Mr. Altman told the Senate Banking Committee he apprised the officials three weeks ago of the probe's status and the difficulties with statutes of limitation the RTC had encountered.

Mr. Altman described the briefing as routine, saying he initiated the meeting to explain how the agency proceeded when a deadline for filing civil charges in a case was approaching.

At the time of the meeting, the deadline for filing civil claims in the Madison case was set to expire at the end of this month. Congress has since extended the deadline for another two years.

Mr. Leach said telling the administration about the statute of limitations concerns played into White House hands. "Part of the White house strategy, long-term, is understanding the statute of limitation aspects of this case," he said.

Legal experts said informing a prospective subject of an investigation about problems with statutes of limitation could help with the formation of a defense strategy.

A White House spokeswoman declined to comment on the meeting, repeating the usual White House comment that the case is under investigation by a special counsel.

The White House press office has declined to discuss the Whitewater-Madison scandal since special counsel Robert B. Fiske Jr. was appointed last month by Attorney General Janet Reno to investigate it.

An RTC spokesman said the agency also declined comment.

In its announcement yesterday, the Treasury Department said Mr. Altman "will have no role" in RTC operations after the end of next month. "In the interim, he will be recused from all matters relating to Madison Guaranty, " the department said.

Mr. Altman's decision was just part of the fallout from an incessant GOP attack on Whitewater that began at Thursday's hearing.

The leader of that attack - Sen. Alphonse M. D'Amato, New York Republican - yesterday denounced what he called the "political intimidation tactics . . . by Democratic National Committee Chairman David Wilhelm" to block further investigation of Whitewater-Madison.

In a letter to Mr. D'Amato yesterday, Mr. Wilhelm assailed the senator's credibility on seeking extensions on the statute of limitations for civil suits

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in the Madison case.

Mr. Wilhelm said the senator opposed statute extensions in other cases, noted Senate Ethics Committee criticism of Mr. D'Amato, who supported 1980s' legislation that made it easier for thrifts to purchase junk bonds.

In response, Mr. D'Amato said he will "redouble . . . efforts to get to the bottom of this Whitewater-Madison scandal," adding that Mr. Wilhelm's "attempt to interject political intimidation into this process is despicable."

Also yesterday, Andrew C. Hove, acting chairman of the Federal Deposit Insurance Corp., agreed to re-examine the agency's recent findings that Mrs. Clinton's former law firm had no conflicts of interest in government cases it handled.

Republicans have suggested the FDIC's findings were a "whitewash."

Mr. Hove instructed the FDIC's inspector general to investigate if the Rose Law Firm of Little Rock, Ark., had "any conflicts of interest or other improprieties" when it helped the government sue S&L wrongdoers.

* This article is based in part on wire service reports.

GRAPHIC: Photo (color), Roger C. Altman

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 26, 1994

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February 26, 1994, Saturday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 863 words

HEADLINE: Recorded contradictions to Clinton tax filings found

BYLINE: Paul M. Rodriguez; THE WASHINGTON TIMES

BODY

Republicans investigating the Whitewater-Madison affairs have obtained recorded statements attributed to a former partner of President and Hillary Rodham Clinton's that contradict the Clintons' tax filings and White House comments on the affair.

Rep. Jim Leach, the Iowa Republican who is conducting a GOP probe of Whitewater-Madison, sent transcripts of the statements by James B. McDougal to other GOP House members along with a report from House Banking Committee GOP investigators raising questions about the Clintons' tax liability and truthfulness in the matter.

New portions of the transcripts, a majority of which already have been made public, are from a March 24, 1992, taped conversation between Mr. McDougal and Sheffield Nelson, a Little Rock lawyer and former Arkansas GOP chairman who ran against Mr. Clinton for governor in 1990.

But Mr. McDougal last night impugned the validity of the transcript, saying it did not sound like the way he talks.

"It sounds fabricated," he told the Associated Press. "I'm reserving any further comment until whatever Republican prepared the transcript makes the original tape available." He said the tape should also be given to Whitewater-Madison special counsel Robert B. Fiske Jr.

Mr. Nelson could not be reached for comment.

Mr. McDougal, former owner of the failed Madison Guaranty Savings and Loan Association, was a partner with the Clintons in Whitewater Development Corp., an unsuccessful real estate venture in northern Arkansas.

In his conversation with Mr. Nelson, Mr. McDougal said a $9,500 interest payment on a Whitewater loan - a deduction claimed by the Clintons on subsequent income tax returns - was never paid to him, despite White House statements that it was.

Mr. McDougal apparently was referring to a $9,000 deduction for interest

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payments by the Clintons on their personal tax return in 1980.

Mr. McDougal also asserts that most, if not all, of a $30,000 loan taken out by Mrs. Clinton to build a modular sales home on a Whitewater lot was not repaid by the Clintons but by the Whitewater corporation. But the assets derived from the loan were sold by the Clintons at a profit.

In the confidential report, GOP investigators said that if the statements in the new transcripts attributed to Mr. McDougal are accurate, the Clintons could face serious tax liabilities. The president also could face conflicts-of-interest problems stemming from his tenure as governor and his state regulatory dominion over Madison.

Discussing the $9,500 interest, Mr. McDougal said: "Well, you know on their tax returns, it's interesting that they show they paid $9,500 in interest to me. Did you notice that? Well, they didn't, of course. . . .

"They didn't pay me. They may have paid someone else. They have never paid me a penny's interest. They never owed me any money," Mr. McDougal said.

But in an interview with AP in January, Mr. McDougal said he recalled the Clintons making about $9,000 in payments to him around that time.

White House senior adviser Bruce Lindsey told The Washington Times earlier this year - when the first 38 pages of the McDougal-Nelson transcripts became public - that the Clintons did in fact pay the $9,000 to Mr. McDougal in 1980 as reimbursement for interest payments made by Mr. McDougal on the loan to purchase the Whitewater property.

Mr. Lindsey, a former Little Rock lawyer, also told The Times last November that Mr. McDougal was not a reliable source and had not been "forthcoming with a lot of information," although he would not elaborate.

Mr. Lindsey, who has been assigned to answer questions on an ongoing federal investigation of Whitewater-Madison, did not return a call seeking comment yesterday.

On the matter of the $30,000 loan "labeled Hillary Rodham" from the Bank of Kingston (Ark.) sometime in 1983 or 1984 to build the model home, Mr. McDougal said she never repaid it.

"OK, the property is in her name. . . . All right, but remember, it's a corporate asset," Mr. McDougal said in the new statements transcribed from tape recordings of the conversation.

"They made no contribution toward the retiring of it [the loan]. It was entirely retired by the corporation. So you subtract that $30,000," he said.

Mr. McDougal said the Clintons then extracted the assets.

"At the time the Clintons assumed control of the corporation, the loan had been paid down to about $13,000," he said. "See? They sold a corporate asset - the modular home and the land it was situated on - and used the proceeds to retire the note. . . . Apparently [they] kept the difference. So that's $30,000 off."

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The House GOP banking staff said in its memo: "If McDougal's statements above are true, they would appear to conflict with past statements made by the Clintons that they were 'passive investors' and lost large sums of money in Whitewater."

The Clintons have said they lost more than $68,000 on the Whitewater land deal even though they never deducted such a loss.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 26, 1994

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The Associated Press

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February 25, 1994, Friday, AM cycle

SECTION: Washington Dateline

LENGTH: 764 words

HEADLINE: Altman Steps Downs As Acting RTC Head, Recuses Himself From Madison

BYLINE: By JAMES H. RUBIN, Associated Press Writer

DATELINE: WASHINGTON

BODY

Deputy Treasury Secretary Roger C. Altman announced Friday he has removed himself from the investigation of an Arkansas thrift tied to President Clinton and will step down March 30 as acting head of the savings and loan cleanup agency.

The announcement came one day after Altman acknowledged in a Senate hearing that he recently gave the White House a private briefing on the status of the S&L agency's investigation of Madison Guaranty Savings and Loan.

The Arkansas S&L was owned and operated by James McDougal, a key figure in the Whitewater affair who was President and Mrs. Clinton's business partner in the troubled real estate venture.

Altman's temporary tenure as head of the Resolution Trust Corp. was set to expire at the end of March, but until Friday he had not distanced himself from the Madison case.

During a Senate Banking Committee hearing Thursday that focused on Whitewater, Altman acknowledged he briefed White House counsel Bernard Nussbaum, Margaret Williams, Mrs. Clinton's chief of staff, and White House attorney Harold Ickes earlier this month on the progress of the RTC's probe of Madison.

Altman described the meeting as routine and said it involved only giving a general description to the White House of how the RTC generally proceeds in such cases. He said he initiated the meeting.

It came just weeks after the White House sought to distance itself from the Madison/Whitewater case by naming special prosecutor Robert Fiske to conduct an independent investigation.

Republicans suggested the Altman incident was evidence of political meddling by the Clinton administration.

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In its announcement Friday, the Treasury Department said Altman's term as acting RTC head will expire at the end of next month and "he will have no role beyond that time.

"In the interim, he will be recused from all matters relating to Madison Guaranty, " the department said.

Altman's decision was just part of the fallout from an incessant Republican attack on Whitewater that began at Thursday's hearing.

Also Friday, acting Federal Deposit Insurance Corp. Chairman Andrew C. Hove agreed to re-investigate the agency's recent findings that Mrs. Clinton's former law firm had no conflicts of interest in government cases it handled.

Republicans have suggested the FDIC's recent findings were a "whitewash."

Hove instructed the FDIC's inspector general to examine whether the Rose Law Firm of Little Rock, Ark., had "any conflicts of interest or other improprieties" when it helped the government sue S&L wrongdoers.

Among the cases was the Rose firm's work involving a Madison case.

Republicans also released new portions of a transcript of a tape-recorded conversation in 1992 between McDougal and Sheffield Nelson, a political rival of Clinton's in Arkansas.

The transcript excerpts include several vague statements attributed to McDougal that suggest the Clintons cheated on their income taxes in connection with Whitewater.

But statements attributed to McDougal in the conversation also contradict assertions he has made in recent interviews.

For instance, in the transcript McDougal is quoted as telling Nelson the Clintons never "paid me a penny's interest" even though they deducted from their 1980 taxes a $ 9,500 interest payment to McDougal.

But in an interview with the AP in January, McDougal said he recalled the Clintons making about $ 9,000 in payments to him around that time.

In the transcript, McDougal is quoted as suggesting the Clintons deducted a loan payment that actually was covered by the Whitewater corporation. "That's an over-reflection on their income taxes," McDougal is quoted as saying.

In another section, McDougal asks about the "statute of limitations for tax fraud" and is quoted as saying that "every bit" of money the Clintons put into Whitewater was "income they didn't report."

Rep. James Leach, the ranking Republican on the House Banking Committee, said the suggestions of tax improprieties need to be further investigated.

McDougal said Friday night that the transcript did not sound like the way he talks.

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"It sounds fabricated," he said. "I'm reserving any further comment until whatever Republican prepared the transcript makes the original tape available." He said the tape should also be given to the special prosecutor.

Nelson did not immediately return a call seeking comment.

In Little Rock, Ark., meanwhile, a motion filed in court this week details Fiske's early strategy in prosecuting former municipal judge David Hale, who has accused the president of pressuring him to make a federally backed loan to a business associate during the 1980s.

"In order to investigate this allegation fully, it is imperative that the Independent Counsel interview defendant Hale, or compel his testimony. This cannot be done until the present case is resolved," Fiske wrote in the motion.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 26, 1994

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WALL STREET JOURNAL

February 25, 1994, Friday

SECTION: Section A; Page 2, Column 5

LENGTH: 39 words

HEADLINE: RTC SUGGESTS MRS CLINTON'S LAW FIRM IMPROPERLY FAILED TO DISCLOSE S&L LINK

BYLINE: BY ALBERT R KARR

ABSTRACT

Resolution Trust Corp's contractor-oversight office suggests that the Rose Law Firm may have improperly failed to disclose its dealings with Madison Guaranty Savings & Loan, a failed Arkansas thrift (M)

LANGUAGE: ENGLISH

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LEVEL 1 - 13 OF 15 STORIES

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February 25, 1994, Friday, Final Edition

SECTION: FIRST SECTION; PAGE A9

LENGTH: 962 words

HEADLINE: Agencies Accused of 'Whitewash' on Whitewater

SERIES: Occasional

BYLINE: Susan Schmidt, Washington Post Staff Writer

BODY

In a sometimes heated debate over the Whitewater investigation, Senate Republicans yesterday questioned top officials of two federal banking agencies whether they are allowing partisan politics to interfere with the inquiry.

In a hearing before the Banking Committee, Sen. Alfonse M. D'Amato (N.Y.), the panel's ranking Republican, lambasted the Federal Deposit Insurance Corp. chairman for his agency's recent report clearing the Rose Law Firm of conflicts of interest, calling it "an incredible whitewash." The Rose firm, whose former partners included Hillary Rodham Clinton, represented the failed Madison Guaranty Savings & Loan before state regulators when Bill Clinton was governor of Arkansas. Acting FDIC Chairman Andrew C. Hove Jr. agreed to have his inspector general investigate the origins of the report.

Republicans also sharply questioned Deputy Treasury Secretary Roger C. Altman, the appointed acting chief of the Resolution Trust Corp., on his meeting three weeks ago with White House counsel Bernard Nussbaum and other Clinton aides to brief them on the RTC's procedures should it decide to file civil claims in the Whitewater investigation.

Altman said he initiated the meeting to give the White House a "heads up" on how the agency would proceed on potential civil claims arising out of the Madison's failure, which cost taxpayers an estimated $ 60 million. Clinton and his wife were joint owners of the Whitewater real estate venture with Madison owner James McDougal, and the Rose Law Firm, where Hillary Clinton was a partner, representing the S&L in the mid-1980s.

Altman said in a meeting with Nussbaum, Hillary Clinton's chief of staff Margaret Williams and White House deputy chief of staff Harold Ickes, he outlined various courses the RTC could take as it approached a Feb. 28 deadline for filing civil claims against Madison officers, directors and lawyers. Since then, Congress has extended the deadline to the end of 1995.

Altman said he told the White House aides the RTC would have to decide whether there was a basis to bring civil claims and, if so, whether to file suit immediately or seek a voluntary extension of the deadline from possible defendants.

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"It was solely to be sure that [Nussbaum] understood the legal and procedural framework," Altman told the committee. He said he felt a briefing was justified because he had been giving such information to inquiring members of Congress.

D'Amato, who praised some aspects of the RTC's Madison investigation yesterday, had urged Altman to recuse himself from the Whitewater probe because it involves the president, who named Altman to his job.

Present at yesterday's session, nominally an oversight hearing on the RTC, were the five top-level officials on a board that oversees the agency. In addition to Altman and Hove, they included Treasury Secretary Lloyd Bentsen and Federal Reserve Chairman Alan Greenspan.

Republicans used the session to turn a harsh light on the Whitewater inquiry and complain about the Democratic majority's refusal to hold hearings on the issue. Democrats, led by Sen. John F. Kerry (Mass.), argued Republicans were engaged in "very partisan singling out of one institution."

They maintained Congress does not need to hold hearings because Whitewater and Madison are subjects of an extensive investigation by Robert B. Fiske Jr., the special counsel appointed by Attorney General Janet Reno.

Much of the hearing was devoted to discussion of a report on the Rose Law Firm released last week by the FDIC's legal division, which examined whether Rose lawyers properly disclosed involvement with Madison when they were hired by the government in 1989 to press a lawsuit against Madison's former accountants.

The FDIC legal division, which originally hired the firm, found there was no conflict of interest. It reached that conclusion despite evidence the firm never disclosed it represented Madison before state regulators, and had cited the accountant's audit work in seeking certain regulatory approvals. Hillary Clinton was one of the attorneys representing Madison.

The FDIC lawyers also decided they would have preferred to know that Rose's lead attorney on the case -- Webster L. Hubbell, now associate attorney general -- had relatives involved in litigation with the government over hundreds of thousands of dollars in Madison loans and commissions. But, they said, under their relatively lax 1989 rules, Hubbell's actions did not constitute a conflict.

"This is the most incredible whitewash," D'Amato told Hove. "I mean, are you serious?"

The RTC has prepared a separate report on the conflicts question that was released by D'Amato. It found the Rose firm failed to disclose potential conflicts of interest, and the study has been sent to the RTC general counsel for review.

The FDIC report said there was not a conflict because Rose lawyers imposed an internal "fire wall" to keep Madison information from Hubbell about his father-in-law, Seth Ward. "That's an Arkansas fire wall," said Sen. Lauch Faircloth (R-N.C.). "You could strike a match behind it, hear the scratch, see the glow and feel the heat."

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Hove reluctantly agreed to seek an inspector general's investigation of the report and the handling of another case involving Hillary Clinton. In that case, also an S&L matter, she signed court documents on behalf of her partner and the lead attorney on the case, former deputy White House counsel Vincent Foster, a leading Rose attorney. The case was against Dan Lasater, a Clinton friend and supporter.

Hillary Clinton signed an amended complaint that reduced damages sought by the government from $ 3.3 million to $ 1.3 million. She was not involved in the final $ 200,000 settlement, according to the FDIC.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 25, 1994

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February 25, 1994, Friday, Final Edition

SECTION: Part A; NATION; Pg. A12

LENGTH: 832 words

HEADLINE: GOP persuades regulators to reopen probe of Rose

BYLINE: Tony Munroe; THE WASHINGTON TIMES

BODY

Under pressure from Republican lawmakers, U.S. regulators agreed yesterday to reopen their probe of Hillary Rodham Clinton's former law firm and its dealings with a failed Arkansas savings bank linked to the Whitewater-Madison affair.

The acting head of the Federal Deposit Insurance Corp. said he would turn over to the FDIC's top investigator a report issued last week clearing Little Rock's Rose Law Firm of conflict-of-interest violations.

Republicans branded that report a "whitewash" during a contentious, 4 1/2-hour hearing in which they lit into their Democratic counterparts for not pursuing the matter.

Minutes after the opening gavel in what was scheduled as a routine hearing on the savings and loan cleanup, Sen. Alfonse M. D'Amato, New York Republican, accused federal regulators of "stonewalling" Republicans in their efforts to determine what happened in the Whitewater-Madison case.

"I see a cover-up here. I see a whitewash here," he said.

Democrats countered that the Republicans were using President Clinton's Whitewater real estate investment for political profit.

"This has nothing to do with federal policy on savings and loans," said Sen. John Kerry, Massachusetts Democrat. "What we're doing now is piling on in a clearly partisan fashion."

High-level officials, including Treasury Secretary Lloyd Bentsen and Federal Reserve Chairman Alan Greenspan, sat and watched the partisan sparring for 90 minutes before they were called on to speak.

Mr. D'Amato chided the Resolution Trust Corp. (RTC) for its eight-page report examining whether there was a conflict of interest involving Mrs. Clinton and the Rose firm, where she was a partner.

Rose represented Madison Guaranty Savings and Loan Association before it

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failed, then represented the government in a suit that accused Frost & Co., Madison's accounting firm, of negligence in failing to detect Madison's troubles.

In its report, the RTC said: "Interviews of current and former Rose Law Firm attorneys who may be knowledgeable on this matter were not conducted."

"This is really one heck of a thorough report," a sarcastic Mr. D'Amato said at yesterday's hearing.

Mr. D'Amato also blasted the FDIC report, calling it "sophomoric, legalistic mumbo-jumbo that doesn't hold water."

Sen. Lauch Faircloth, North Carolina Republican, called the FDIC report "an eight-page insanity plea."

Acting FDIC Chairman Andrew C. Hove explained that under the rules at the time Rose was awarded the contract, only clear conflicts of interest, not apparant conflicts, were investigated.

Mr. D'Amato asked that the agency's inspector general investigate the matter, to which Mr. Hove agreed.

Sen. Richard C. Shelby, Alabama Democrat, said that while unanswered questions remain, Robert B. Fiske Jr., the special counsel appointed by Attorney General Janet Reno to look into the Whitewater-Madison affair, will handle them.

Leading the Democrats' counterstrike, Mr. Kerry made a show of charts listing 193 failed thrifts that cost taxpayers more than the $50 million it cost to bail out Madison, which was seized by federal regulators in 1989.

Mr. Kerry also recalled hearings held last year on fraud and mismanagement at the RTC, when there was "no hue and cry from my colleagues across the aisle."

But Sen. Pete V. Domenici, New Mexico Republican, cited hearings called by Democrats when President Bush's son, Neil, was involved in the failure of Denver-based Silverado Savings & Loan, and asked for the appointment of a Senate committee to investigate Whitewater-Madison.

Democrats responded that a Senate investigation would be redundant, and any findings could prejudice the investigation already in progress under Mr. Fiske.

"It seems to me we put the matter where it ought to be put," said Sen. Paul S. Sarbanes, Maryland Democrat.

Republicans on the House side will get a crack at Whitewater-Madison during the third week of March when the House Banking Committee plans to hold a hearing on the RTC cleanup job.

Mr. Fiske is investigating Madison and its financial ties to Whitewater Development Corp., an Arkansas land partnership involving President and Mrs. Clinton and Madison owner James B. McDougal and his wife, Susan.

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In 1985, Mrs. Clinton was being paid $2,000 a month by Mr. McDougal to represent the failing S&L before state regulators, who sought to close it because of insolvency. She presented a stock preferred plan based on an audit by the Frost firm. The government said four years later that the plan was fraudulent.

Mr. McDougal, who bought Madison Guaranty in 1982, is under investigation by federal authorities for accusations that he manipulated $250,000 in loans through the S&L and diverted other money to the campaigns of several Arkansas politicians, including Mr. Clinton.

GRAPHIC: Photos (A & B, color), A & B) Rose is target of S&L probe: Sens. Alfonse M. D'Amato (left) and John Kerry (right) tangled yesterday at a hearing on the savings and loan cleanup, in which regulators agreed to reopen an investigation of Little Rock's Rose Law Firm. While Mr. D'Amato said Republicans were being "stonewalled," Mr. Kerry pointed to other S&L cases and called the probe "clearly partisan." (WILD ART, A1); C) Treasury Secretary Lloyd Bentsen appears weary of waiting to testify before the Senate Banking Committee., All By Ruth Fremson/The Washington Times

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 25, 1994

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LEVEL 1 - 15 OF 15 STORIES

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The Washington Times

February 25, 1994, Friday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 963 words

HEADLINE: $283,000 in loans to Clintons probed ;
Whitewater counsel subpoenas bank records

BYLINE: Jerry Seper; THE WASHINGTON TIMES

DATELINE: LITTLE ROCK, ARK.

BODY

LITTLE ROCK, Ark. - Federal investigators looking into the Whitewater-Madison affair have subpoenaed records describing more than $283,000 in personal loans to President and Mrs. Clinton from four rural Arkansas banks, The Washington Times has learned.

The bank records were sought by special counsel Robert B. Fiske Jr., who issued a request for "all documents" outlining the Clintons' involvement with the four banks during an 11-year period beginning in 1978, the year the Whitewater Development Corp. was formed.

The subpoena, delivered to the Arkansas Bank Department, sought department records, regulatory examinations and other documents concerning the Bank of Cherry Valley, Citizens Bank & Trust of Flippin, the Bank of Kingston and Security Bank of Paragould.

It also asked for records involving the First Bank of Arkansas and the First National Bank, both in Wynn. Those financial institutions bought the Bank of Cherry Valley, Citizens Bank and the Bank of Kingston.

The subpoena was delivered Jan. 14 to Arkansas Bank Commissioner Bill Ford, who was unavailable for comment yesterday.

The department's legal counsel, Candace Franks, confirmed that the subpoena had been received and that the documents had been turned over to Mr. Fiske's investigators. She declined to say how many records were involved but acknowledged that "numerous" papers had been released.

Attorney General Janet Reno last month assigned Mr. Fiske to investigate allegations of financial irregularity involving the Clintons, Madison Guaranty Savings and Loan Association, Madison owner James B. McDougal and the Whitewater project - a 230-acre real estate development in northern Arkansas jointly owned by the Clintons, Mr. McDougal and his wife at the time, Susan.

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Mr. McDougal, who owned the Bank of Kingston before he purchased Madison, is suspected of diverting depositor money from Madison to Mr. Clinton's 1984 gubernatorial re-election campaign using overdrawn accounts and Madison-approved loans. He also is accused of diverting the S&L's money to Whitewater.

The Clintons and McDougals have denied any wrongdoing in connection with the Whitewater project and the defunct S&L.

According to state banking records, the Clintons borrowed $283,411 from the four Arkansas banks between 1978 and 1984. The loans included:

* A $182,611 loan to the Clintons and McDougals in 1978 from Citizens Bank that was used to purchase 230 acres of land along the White River in the Ozarks. That land became the Whitewater project. The couples had intended to build vacation homes on 42 plots, but the venture failed.

A $20,000 unsecured loan from Union National Bank in Little Rock to Mr. Clinton and Mr. McDougal was used for the Whitewater down payment but was not included in the document request.

* A $50,000 personal loan to the Clintons from the Bank of Cherry Valley in 1984 for Mr. Clinton's gubernatorial campaign. The bank was then owned by Maurice Smith, a longtime supporter of Mr. Clinton's and his financial adviser in the 1984 race.

Mr. McDougal, during an April 1985 fund-raiser at Madison's Little Rock office, raised $35,000 to help the Clintons repay the Bank of Cherry Valley loan. Federal law enforcement sources say investigators are trying to determine whether Whitewater or Madison money was used to help retire the Clinton debt.

At least one of the purported contributors at the April 1985 fund-raiser - Ken Peacock, then a 24-year-old college student - has said he did not sign a $3,000 check to Mr. Clinton. His father, Charles Peacock, a Madison official at the time, recently told The Washington Times that he made the contribution in his son's name without his son's knowledge.

* A $30,000 loan to Hillary Rodham Clinton in 1980 from the Bank of Kingston, then owned by Mr. McDougal, Jim Guy Tucker, who is now governor of Arkansas, and four others. The money, borrowed at a 20 percent interest rate, was used to build a model home on a Whitewater plot owned by Mrs. Clinton.

Ten days after the loan was made, a $30,000 deposit was made in the Kingston bank's Whitewater account, which showed a balance at the time of $456. Records show that the Clintons took tax deductions for interest on the loan but that Whitewater paid the interest.

* A $20,800 loan in 1983 to Mr. Clinton from Security Bank of Paragould that was used to help pay the balance on Mrs. Clinton's Bank of Kingston note. The owner of Security Bank was Marlin Jackson, a Clinton supporter whom the governor named state bank commissioner after receiving the loan.

In November 1985, Mr. McDougal sent a $7,322 check to Charles Campbell, vice president of Security Bank, saying in an attached note that the money was to be used to pay off the $20,800 Clinton note. The check was drawn on a

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Whitewater account that had a balance of $12.49. The check was covered the next day when a Madison subsidiary deposited $7,500 in the Whitewater account.

Federal authorities confirmed yesterday that hundreds of documents had been received from the state Bank Department and that an "extensive review" was under way.

The federal government shut down Madison in 1989 at a cost of $50 million. Mr. McDougal was indicted that year on fraud charges related to Madison loans but was acquitted in 1990.

The Clintons, who sold their half-share in Whitewater to Mr. McDougal in 1992 for $1,000, have said they lost $68,900 on the real estate venture over 14 years, but there are no records to support the claim.

In recent TV interviews with ABC and CNN, Mr. McDougal said the Clintons lost about $13,500.

GRAPHIC: Photo (color), Digging in: Robert Fiske has subpoenaed "all records" of the Clintons' dealings with four banks.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 25, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Trudy Walsh
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 15, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are eighteen (18) news articles from Nexis, relating to Madison Guaranty, dated March 14, 1994.

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16 MAR

LEVEL 1 - 1 OF 18 ITEMS

The Associated Press

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March 14, 1994, Monday, AM cycle

SECTION: Washington Dateline

LENGTH: 870 words

HEADLINE: Hubbell Resigns; Top Justice Official, Clinton Friend

BYLINE: By CAROLYN SKORNECK, Associated Press Writer

DATELINE: WASHINGTON

BODY

Associate Attorney General Webster Hubbell, a longtime friend of President and Mrs. Clinton, resigned Monday, saying distractions from a probe at his former law firm "will interfere with my service to the country."

Hubbell was the second high-ranking Clinton official to resign in just over a week. White House Counsel Bernard Nussbaum quit under fire on March 5 after revelations of White House briefings with federal regulators who are investigating an Arkansas savings and loan with ties to the Clintons.

The president said Hubbell had done valuable work at the Justice Department but "he made the right decision" to resign and return home to Arkansas to deal with an investigation into billings he charged while in private law practice.

As a personal friend, Clinton said he found it "hard to believe" that Hubbell was guilty of wrongdoing.

Attorney General Janet Reno said his departure would be a loss for the Justice Department, where he has been the No. 3 official for nine months. "I don't believe he did a thing wrong," she said.

Hubbell did not attend Reno's brief news conference, but released a statement recalling the "wonderful journey" he took from Little Rock, Ark., to Washington a year ago when Clinton was inaugurated.

He lamented that "private issues" involving his billings at the Rose Law Firm in Little Rock, where he and Hillary Rodham Clinton were partners, were "elevated to public speculation." He said he was confident the dispute would be resolved satisfactorily.

The law firm has been investigating whether Hubbell overbilled clients. He has denied doing so and has said he was cooperating with the firm's probe.

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Hubbell recused himself last fall from any role in the department's investigation of the Clintons' investment in the Whitewater Development Corp., the co-owner of which also owned Madison Guaranty Savings & Loan. The Rose firm had represented Madison in the past, and Hubbell later sued an accounting firm blamed in the thrift's failure on behalf of the Federal Deposit Insurance Corp.

Hubbell said he would "stand and take the blows from wherever they came" if they affected only him. But he decided to resign, he said, because "I believe too much in this country, the president, the attorney general, the Justice Department, my wife and family, and my colleagues."

"After a thoughtful weekend, I believe that my continued service will not be as effective as it has been; that the distractions on me at this time will interfere with my service to the country and the president's agenda, and that my family, although totally supportive, is being harmed," he said.

Hubbell said his association with Reno "has meant more to me than words can describe. She knows that I consider her one of America's heroes."

As for the Clintons, Hubbell said their 20-year friendship "has been a never-ending source of pride and sustenance. Their support of me has been unfailing."

Hubbell said he hopes to re-enter public service some day.

House Republican Whip Newt Gingrich of Georgia, renewing a call for congressional hearings on Whitewater, said he was disturbed that Reno said Hubbell was leaving to take care of old private issues.

"Issues about whether the federal government was overbilled, issues about how the Rose Law Firm handled savings and loan legal affairs for the federal government, these kind of issues are not private matters," Gingrich said.

Hubbell said in his statement, "These private issues have nothing to do with Whitewater, Madison Guaranty, the McDougals or the president and first lady." James McDougal owned the S&L, and he and his wife were partners with the Clintons in Whitewater.

Hubbell's resignation comes just one month after the departure of Deputy Attorney General Philip Heymann, the department's No. 2 official who left citing management and style differences with Reno. She said she has no one in mind to replace Hubbell.

At the Justice Department, one career prosecutor said, "Most people here, contrary to the negative press, thought Webb was the glue that was holding the place together.' The prosecutor commented on condition of anonymity.

Hubbell told Reno of his decision Monday. He did not return numerous phone calls as he huddled with aides in private.

Just last Thursday, Reno gave Hubbell a vote of confidence by saying she was not concerned that he was too distracted with Rose and Whitewater matters to handle his job.

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Hubbell was controversial almost from his arrival at the Justice Department the first day of the Clinton administration.

He tried to keep a low profile, refusing any requests for interviews as he helped with the transition. That just triggered more questions about what his real role was, given that holdover Bush official Stuart Gerson was acting attorney general for a time.

Hubbell has long been seen as the key link between Justice and the White House, even though he eventually held the No. 3 position.

He joined the Rose law firm in 1973, becoming a partner in 1977 and a managing partner in 1987. His served briefly as chief justice of the Arkansas Supreme Court beginning in 1984.

He was mayor of Little Rock from 1979-81 and served on the city board of directors from 1978-84.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 14, 1994

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LEVEL 1 - 2 OF 18 ITEMS

The Associated Press

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March 14, 1994, Monday, AM cycle

SECTION: Washington Dateline

LENGTH: 740 words

HEADLINE: Records Suggest Rose Was Paid Twice in S&L Case; File Mysteriously Empty

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: WASHINGTON

BODY

The Rose Law Firm in Arkansas appears to have been paid twice by the government for the same $ 30,000 work in a savings and loan case now embroiled in the Whitewater controversy, according to a federal official who has reviewed the billing records.

Webster Hubbell, now the No. 3 Justice Department official, was the supervising attorney for Rose in the case, which involved the failure of Madison Guaranty Savings and Loan in Little Rock, Ark.

Hubbell resigned Monday, saying distractions from the probe at his former law firm "will interfere with my service to the country."

Hubbell recently acknowledged that the Rose firm, where Hillary Rodham Clinton also was a partner, had questioned him about billings for past clients, including S&L cleanup work. He did not identify the cases under review.

According to a federal official who reviewed billings in the Madison cleanup case and spoke to The Associated Press only on condition of anonymity:

- The Rose firm submitted a bill for $ 2,400 in work. Later, the firm resubmitted the same $ 2,400 figure covering the same period of time as part of a $ 27,000 bill to the government for work in the case.

- The $ 27,000 figure was in turn submitted again as part of an $ 80,000 bill to the Federal Deposit Insurance Corp., which hired Rose to sue an accounting firm blamed in Madison's failure.

The official said the records indicated the FDIC paid all three bills, suggesting Rose was overpaid by about $ 30,000 for its work in settling the lawsuit against the Frost accounting firm.

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"The records show those (smaller) bills being paid" before the amounts were resubmitted, the official said. "The only other possibility is that this is a billing error."

Rose was paid $ 400,000 by the government in the Madison-Frost case and in all has earned more than $ 1 million in some 22 S&L cleanup contracts it has won from the government.

Ron Clark, the firm's managing partner, did not return four telephone calls since last week seeking comment.

Hubbell lamented that "private issues" involving his billings at the Rose Law Firm were "elevated to public speculation." He said he was confident the dispute would be resolved satisfactorily.

Justice Department spokesman Carl Stern said of the matter, "I don't know anything about it."

The Resolution Trust Corp., the agency formed to take over the S&L cleanup from the FDIC, last week began a formal review of all billings in the Rose contracts.

That investigation, which is being conducted by the RTC inspector general's office, may be made more difficult by the mysterious disappearance of records from the FDIC's billings file in the Madison-Frost case.

In a Jan. 10, 1994, electronic mail message to a colleague, RTC attorney April Breslaw indicated that the file from the Frost case marked "Legal Bills" was empty.

As a result, Breslaw wrote in the memo, the payments would have to be reconstructed, using copies of billing statements from the firm that were attached to other correspondence.

Breslaw did not return calls seeking comment.

Madison S&L and the Rose firm have emerged as key figures in the widening special prosecutor's investigation into the Whitewater affair that has engulfed the first family in controversy.

Madison, which failed in 1989 at a cost to taxpayers of at least $ 47 million, was owned by James McDougal, the Clintons' business partner in the Whitewater land venture.

Special prosecutor Robert Fiske is investigating whether funds from the S&L were illegally diverted in the mid-1980s to pay the political and personal debts of prominent Arkansans, including the Clintons, or to ventures like Whitewater.

He also is investigating two couriers' allegations that they were instructed to shred documents at the Rose firm shortly after Fiske was appointed.

The Frost case previously was scrutinized over questions of possible conflicts of interest.

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Rose lawyers, including Mrs. Clinton, represented Madison S&L on a matter before state regulators in the mid-1980s. After Madison failed, the Rose firm and Hubbell won the contract to sue Frost.

Officials have questioned whether this earlier work constituted a conflict. In addition, they noted that Hubbell, who supervised the Frost case, had relatives with extensive financial dealings at the S&L.

A recent government review cleared Rose of conflicts, but that decision is being reviewed at the request of Republicans in Congress.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 14, 1994

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LEVEL 1 - 3 OF 18 ITEMS

The Associated Press

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March 14, 1994, Monday, AM cycle

SECTION: Washington Dateline

LENGTH: 395 words

HEADLINE: She Passes Up Chance To Say The Clintons Are Innocent

BYLINE: By PETE YOST, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

A former Whitewater partner of President and Mrs. Clinton passed up an opportunity Monday to say she thinks the Clintons have done nothing wrong in the Whitewater affair.

At a news conference, Susan McDougal read a brief statement which declared simply that she and her ex-husband - failed S&L owner James McDougal - are innocent of any wrongdoing.

Ms. McDougal said the investigation of Whitewater special counsel Robert Fiske is politically motivated, and then declined to answer questions.

In an appearance Sunday on ABC's "This Week with David Brinkley," James McDougal, who co-owned the Whitewater Development Corp. with the Clintons, said President Clinton is "guilty of committing no crime."

And he said Hillary Rodham Clinton is guilty of nothing, other than "poor bookkeeping."

But Susan McDougal's lawyer, Bobby McDaniel, repeatedly refused to characterize the Clintons' role in Whitewater. He noted that his client delivered all her Whitewater records to the Arkansas governor's mansion in 1991 at Bill Clinton's request, and hasn't gotten them back.

Isn't Susan McDougal letting the Clintons go "twisting in the wind" by not saying she thinks they've done nothing wrong? a reporter asked.

"Susan just does not want to address the Clinton" question, McDaniel responded.

In her statement, Ms. McDougal noted that her ex-husband and her brothers were prosecuted for activities in connection with Madison Guaranty Savings and Loan, and acquitted.

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"Republicans ... who persecuted us were wrong and a jury told them so," Ms. McDougal said.

"It stayed over until Bill Clinton was elected president. Now, because of that, it has started again, and that is wrong," she concluded.

Ms. McDougal, 38, was the highly visible promoter for James McDougal's land development ventures, appearing in local TV commercials wearing hot pants and riding a horse.

Now, says her lawyer, she's unemployed because reporters kept contacting her about Whitewater.

"She wants to be left alone," McDaniel said of his client.

The McDougals and Clintons were 50-50 partners in Whitewater, the Ozarks real estate project that is part of Fiske's criminal investigation. Fiske is investigating whether depositors' money from McDougal-owned Madison Guaranty benefited the Clintons.

The federal government closed the S&L in 1989 at a cost to taxpayers of $ 47 million.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 14, 1994

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LEVEL 1 - 4 OF 18 ITEMS

The Associated Press

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March 14, 1994, Monday, PM cycle

SECTION: Washington Dateline

LENGTH: 850 words

HEADLINE: Businessman Says Clintons Broke No Laws

BYLINE: By RON FOURNIER, Associated Press Writer

DATELINE: WASHINGTON

BODY

An Arkansas businessman at the center of the Whitewater affair says President and Mrs. Clinton didn't break any laws, but they did break their word.

And he can't figure out why.

"It is very stupid," James McDougal said Sunday.

McDougal, who co-owned Whitewater Development Corp. with the Clintons, said the first family agreed by contract to turn over corporate documents by June 1, 1993. The papers, which he said were given to Hillary Rodham Clinton, are needed for his 1993 income tax filing.

"I wish they'd send them on down to me," he said on ABC's "This Week with David Brinkley." McDougal bought out the Clintons' interest in the Whitewater land venture after the presidential election.

White House special counsel Lloyd Cutler declined comment, saying the matter was in the hands of the Clinton's personal attorney, David Kendall. Kendall could not be reached at his office and did not return a message left at his home.

Special counsel Robert Fiske has the originals; McDougal said he wants the Clintons' copies, and has sought them through his attorney for months.

McDougal, who once worked for Clinton's gubernatorial office, owned Madison Guaranty Savings and Loan, the failure of which is the subject of a federal inquiry. Investigators studying the thrift's ties to Whitewater want to know if any S&L deposits ended up in Clinton's gubernatorial campaign coffers.

Asked about the accusation, McDougal snapped, "That's a Republican lie."

He strongly defended the Clintons, saying the president is "guilty of

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committing no crime." McDougal added: "I don't see any crime that's apparent that Mrs. Clinton may have committed."

McDougal's appearance came on a day when the morning talk shows were dominated by Whitewater.

White House special counsel Lloyd Cutler appeared on three shows, carrying the administration's new strategy: Concede to mistakes that gave the appearance of a coverup, argue that the Clintons were actually totally forthcoming and guilty of no wrongdoing, and resist congressional hearings.

The White House is scrambling to maintain public confidence after revelations of private White House briefings with Treasury Department officials. The White House was told about a confidential Resolution Trust Corp. investigation into McDougal's thrift and its ties to Whitewater and the Clintons.

"The two things I believe will become clear in the end is that no effort was made by anyone in the White House to influence the Treasury decision, and that in fact the Treasury and RTC decisions did not change" the decisions to refer the case to prosecutors, Cutler said.

"I hope we have made some progress in convincing the press that we are highly cooperative and public," key aide David Gergen said. "I think gradually the American people will understand the press reports (about) just how cooperative and open the president the first lady and others are being."

Mrs. Clinton signaled a new approach Saturday when she broke a long silence on the topic and told news magazines that mistakes were made, although nothing improper was done.

"I really have been pulled kicking and screaming to the conclusion that if you choose to run for public office you give up any zone of privacy at all," Mrs. Clinton told Newsweek magazine, as new poll results show her popularity dropping amid reports about her work with the family's finances and as an attorney for Madison.

The strategy did not deflect Republicans, who continued to press for congressional hearings.

"We can delay and we can stonewall, but sooner or later there will be hearings," Senate Minority Leader Bob Dole told ABC.

Democrats argue that hearings would hinder Fiske. Republicans have said they will delay hearings until Fiske finishes his investigation of the Treasury meetings.

Fiske wants to know whether the officials tried to influence the RTC inquiry. Newsweek reported this week that RTC investigator Jean Lewis was removed from the Madison case after the White House briefings. Citing anonymous sources, the magazine said Lewis is expected to testify before Congress about her disputes with RTC officials over the investigation.

Both sides see the bickering getting more partisan.

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"We should not have a political circus with Democrats saying nothing happened and Republicans saying everything happened - and nothing getting done," Sen. John Breaux, D-La., told CBS.

Sen. Alfonse D'Amato, R-N.Y., mocked Clinton for saying he did not know who tipped him to the confidential federal inquiry.

"I find it difficult to understand how it is if you're mentioned in a ... criminal referral that you wouldn't remember who told you and when they told you,"' he told NBC.

Despite his defense of the Clintons, McDougal said he was baffled by their reluctance to hand over the corporate papers.

"It seems pretty dumb to me not to just put it all out the first day," McDougal said, promising to share the documents with the media.

Asked why the Clintons have not provided the papers, McDougal said without elaboration, "I suppose there's possible embarrassment from some aspect of it.'

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 14, 1994

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LEVEL 1 - 5 OF 18 ITEMS

The Associated Press

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March 14, 1994, Monday, PM cycle

SECTION: Washington Dateline

LENGTH: 633 words

HEADLINE: WASHINGTON TODAY: Congress Pushes To Get Into Whitewater Probe

BYLINE: By LARRY MARGASAK, Associated Press Writer

DATELINE: WASHINGTON

BODY

It's Oliver North sitting ramrod straight in his Marine uniform. It's John Dean, in 7 stunning hours, describing Richard Nixon's abuse of power. It's Nixon administration aide Alexander Butterfield divulging a tape-recording system that sunk a presidency.

Will Democrats make sure that Whitewater never produces these dramatic, televised scenes from the Iran-Contra and Watergate hearings?

In the next few months, will it be the open hearing room or the closed grand jury room that will ferret out - and then reveal to America - any and all secrets of Whitewater?

Either the hearings in Congress or the separate criminal investigation may unravel the Whitewater story: the real estate losses of Bill and Hillary Rodham Clinton, improper transactions by the failed Madison Guaranty Savings and Loan, the circumstances of deputy White House counsel Vince Foster's death and suspected White House meddling in the case.

But can congressional hearings be held without jeopardizing the criminal investigation by special counsel Robert Fiske?

Republicans think they've found the middle ground for hearings in two or three months. The congressional attorneys in Iran-Contra and Watergate agree; the Iran-Contra independent counsel does not.

The GOP formula: Do not grant the immunity that led to reversal of Iran-Contra convictions; give Fiske first crack at the key witnesses, so no one will tailor their grand jury testimony to fit statements from the hearings; begin hearings with the issue of alleged White House interference, the phase Fiske will complete first.

Arthur Liman, the Senate's chief Iran-Contra counsel, said that solution

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could work.

"By deferring, you simply maintain a cloud. I would favor whatever is required to permit the president to get this behind him. I suspect it may be necessary for that to be hearings."

Sam Dash, the Senate Watergate committee counsel, said in a televised interview, "Congress has a very important constitutional function that the Supreme Court has held, and that is to keep the public informed. So I see no problem, by the way, in Congress holding hearings."

But Iran-Contra independent counsel Lawrence Walsh said Fiske should be allowed to finish his work first.

"It's the urgency I question. The first question that occurs to me is why Congress needs them (hearings)," Walsh said.

In the Iran-Contra case, Walsh said, there was evidence of continuing, "outright defiance" of laws and congressional directives by the Reagan White House. It was urgent that Congress try to learn the facts, he said.

"What is there in Whitewater that's comparable?" he asked. "Is there anything urgent now? It's one thing to be looking at something that happened in the past and another to look at defiance of Congress in an ongoing operation like sales of arms to Iran."

Liman, while seeing the need for hearings after a delay, agreed that the Iran-Contra congressional probe had far more urgency than Whitewater.

"We couldn't defer longer with a government in paralysis and the specter of impeachment hanging over the country," Liman said.

So there's the argument. Picture the contrast for American taxpayers.

On the one hand, live television coverage, nightly news sound bites, a crowded hearing room, floodlights, cameras, snaking lines of people trying to get seats to watch a piece of history. Republicans would relish that.

On the other, a professionally conducted investigation, by experienced prosecutors, taking place in the secrecy of grand jury meeting rooms that emit only silence to the outside world. It would all be revealed some time in the future.

And that's what Democrats want.

EDITOR'S NOTE: Larry Margasak covers Congress for The Associated Press and specializes on ethics and institutional reform issues.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 14, 1994

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LEVEL 1 - 6 OF 18 ITEMS

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The Hotline

March 14, 1994

SECTION: WHITEWATER

LENGTH: 534 words

HEADLINE: OTHER NEWS: THE OTHER LAND DEAL; RTC REGULATOR "GAGGED"?

BODY

Whitewater special counsel Robert Fiske "has subpoenaed records from another failed real estate deal" financed by Whitewater Development Corp. Whitewater Development's involvement with the Lorance Heights project "ended with lawsuits from angry landowners, foreclosure and a $510,000 judgment against the company and a related firm. The Clintons were 50% owners in Whitewater when it purchased Lorance in '86, "but their exact role in the project is unclear." Sam Heuer, atty for Whitewater partner James McDougal, said McDougal "did not tell the Clintons about the purchase." CHICAGO TRIBUNE's Marx & Gaines call Lorance "another window on the operations of Whitewater" (3/11). CBS's Pelley also covered the story: "The White House says the Clintons knew nothing about Lorance, but the Special Counsel has subpoenaed documents from the development and expects to call McDougal before the grand jury" (3/11).

RTC RIFT: Rep. Jim Leach (R-IA) said "he has 'blockbuster' evidence that federal investigators who worked on the (Whitewater/Madison) probe are being silenced and intimidated by their superiors here." Without any specific proof, Leach alleged that RTC investigators in the K.C. office "have been 'gagged and possible coerced' by officials in the RTC Washington office" (Farrell/Zuckman, BOSTON GLOBE, 3/12). WH press sec. Dee Dee Myers called it an "accusation without any evidence" (N.Y. TIMES, 3/12). W. POST's Schmidt reports RTC probers "have complained privately that they felt pressured by agency lawyers to play down the involvement" of Bill and H.R. Clinton "in their preparation of criminal referrals" involving Madison Guaranty S&L (3/12). NEWSWEEK's Turque reports K.C. RTC prober Jean Lewis "is expected to offer detailed testimony about her disputes with agency officials." According to Hill and RTC sources, Lewis and others in K.C. had collected information that Whitewater "may have contributed" to Madison's failure. Hill sources "say Lewis encountered resistance from the RTC attorney reviewing the referral and that she believes it may have been the result of outside pressure." The debate on the referral "became so heated that both Lewis and the agency attorney were removed from the case" in 11/93. "That would put it shortly after a series of (WH) contacts" with Treasury officials (3/21 issue).

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LEVEL 1 - 7 OF 18 ITEMS

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The Hotline

March 14, 1994

SECTION: WHITEWATER

LENGTH: 347 words

HEADLINE: LLOYD CUTLER: GOES THREE-FOR-THREE ON SUNDAY TALKS

BODY

New WH Counsel Lloyd Cutler appeared on all three Sunday talks shows. On ABC's "Brinkley": "My sense from talking to people -- and I have not see all the documents or anything else, is that the ten year old Whitewater affair is not much of an affair" (3/13). On NBC's "Meet the Press": "The whole idea of a special counsel and a grand jury is to, in effect, get all the witnesses and all the documents cold before there has been a coordination of defense ... so that they can be sure they're hearing the full, unrehearsed, unprepared story. A congressional hearing just isn't like that" (3/13). On CBS's "Face the Nation": "The two things that I believe will come clear in the end is that no effort was made by anyone in the White House to influence the Treasury decision ... one way or another, and that, in fact, the Treasury-RTC decision did not change" (3/13).

BUSY DAY: ABC's Norris: "Cutler spun his way through the talk-show circuit" (3/13). "Between the lines of Mr. Cutler's remarks, one aspect of the (WH) strategy began to take place. The (WH) seems to hope that (special counsel) Fiske will deal first with the meetings between Treasury Department and White House staff members on Madison Guaranty, as he has said he might, and publish an interim report exonerating Administration officials of wrongdoing on that angle of the case" (Rosenbaum, N.Y. TIMES, 3/14). Cutler tried to "put his calm, soothing coat around the Whitewater scandal" (Komarow, USA TODAY, 3/14).

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 14, 1994

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LEVEL 1 - 8 OF 18 ITEMS

Copyright 1994 The Houston Chronicle Publishing Company
The Houston Chronicle

March 14, 1994, Monday, 2 STAR Edition

SECTION: A; Pg. 1

LENGTH: 717 words

HEADLINE: Delay of Whitewater hearings urged

BYLINE: WILLIAM E. CLAYTON JR., Houston Chronicle Washington Bureau, GREG MCDONALD; Staff

DATELINE: WASHINGTON

BODY

WASHINGTON -- White House counsel Lloyd Cutler made the rounds of broadcast talk shows Sunday, saying Congress should delay hearings until the special counsel can investigate the Whitewater affair.

The counsel's work with a grand jury can develop the ""full, unrehearsed, unprepared story'' of the issue in a way congressional hearings could not, Cutler told NBC's ""Meet the Press. '' ""The whole idea of a special counsel and a grand jury is to, in effect, get all the witnesses and all the documents cold before there has been a coordination of a defense, before one witness can listen to another witness, so that they can be sure they're hearing the full, unrehearsed, unprepared story,'' Cutler said. ""A congressional hearing just isn't like that. Everybody will hear everybody else. Accusations that are unwarranted or unsubstantiated can be made in public instead of in secret, and that's what the grand jury is about. ''

He said that after special counsel Robert Fiske ""is finished, it is up to Congress to decide whether they want hearings, and if they want hearings, the White House, you can be sure -- at least the president has said this and I'll repeat it -- is going to cooperate. ''

On CBS's ""Face the Nation,'' Cutler said ""all kinds of charges'' are making the rounds about Whitewater and the suicide of White House aide Vince Foster, ""but that's the kind of stuff you'll get in a congressional hearing with very little opportunity to deal with it. ''

Capitol Hill hearings would be ""highly partisan,'' Cutler said.

""No president is going to decline to have people testify in a hearing which the bipartisan Congress decides to hold,'' Cutler

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said. ""The objections to a hearing were initiated by Mr.Fiske, the special counsel. He is the one who took the initiative in urging both houses of Congress to defer hearings until he could conclude his investigation. ''

Sen.Bob Dole, R-Kan., the Senate minority leader, told the ABC show ""This Week With David Brinkley'' that the public wants a congressional inquiry into the Clintons' investments in the Whitewater land development venture and its connection to Madison Guaranty, a failed Arkansas saving and loan institution.

When House Speaker Tom Foley, D-Wash., told the same program that Fiske wanted time to do his work, Dole accused Foley and other Democrats of trying to ""hide behind Mr. Fiske'' and thwart congressional investigation of the matter.

The Clintons need not testify in person, Dole said.

""Mrs. Clinton has to be accountable. The president has to be accountable. There are a lot of ways they can be accountable without coming before a (congressional) committee,'' the minority leader said.

Dole said congressional Republicans are willing to give Fiske ""a little breathing room, perhaps a few weeks,'' to investigate before hearings on Whitewater.

Cutler said he is confident that ""in the end it will turn out, at least as far as even a breath of criminal activity by either the president or the first lady, it will turn out to be nothing at all. '

He said he is convinced that controversial meetings between White House and Treasury Department officials, after an agency of Treasury had opened a Whitewater inquiry, involved nothing improper.

Cutler's appearance on television was part of a new White House public relations offensive aimed at countering Republican attacks and trying ""to correct this assumption by the media,'' as one senior Clinton aide put it, ""that the president and first lady have done something wrong. ''

Clinton, traveling to Detroit Sunday for the opening of an international jobs conference, declined to comment on the Whitewater controversy. But in a weekend interview with Knight-Ridder Newspapers, the president denounced the media for reporting what he called unsubstantiated rumors and Republican lies.

""I've never been in an environment in my life where you were presumed guilty until you were proved innocent. It's just bizarre,'' he said.

Hillary Clinton, meanwhile, took a similar tact. She acknowledged in weekend interviews with Time and Newsweek magazines

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that mistakes were made in handling the Whitewater issue. But she blamed the media for blowing it out of proportion.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 9 OF 18 ITEMS

Copyright 1994 The Times Mirror Company
Los Angeles Times

March 14, 1994, Monday, Home Edition

SECTION: Part A; Page 4; Column 1; National Desk

LENGTH: 1042 words

HEADLINE: FIRST LADY VOWS TO PAY IF WHITEWATER TAX OWED;
INQUIRY: MRS. CLINTON SAYS COUPLE WILL 'ACT APPROPRIATELY' SHOULD ANY OBLIGATIONS BE UNVEILED. NEW COUNSEL SEES NOTHING COMING OF CONTROVERSY.

BYLINE: By EDWIN CHEN and STANLEY MEISLER, TIMES STAFF WRITERS

DATELINE: WASHINGTON

BODY

First Lady Hillary Rodham Clinton said she and President Clinton are prepared to pay back taxes if it turns out that they underpaid on their Whitewater real estate investment, according to published reports Sunday. Meanwhile, newly named White House Counsel Lloyd N. Cutler predicted that the controversy "will turn out to be nothing at all."

Changing earlier plans for a TV appearance with the President this week, the First Lady gave brief interviews over the weekend to Time and Newsweek magazines as she prepared to resume her campaign for health care reform with a trip to Denver today.

She told Time that if information emerges that indicates she and her husband owe any back taxes in connection with the Ozark real estate venture, "we will act appropriately."

U.S. News & World Report quoted White House "insiders" as saying that David E. Kendall, the Clintons' personal attorney, has told the couple that all he has uncovered are "tax errors and improper deductions" relating to the Whitewater development.

The magazine said Kendall "has assured the First Couple that as far as he can tell they have not seriously violated the law."

Reached at his law office Sunday, Kendall declined to comment.

The Whitewater controversy dominated the Sunday television talk shows, with Cutler appearing on three programs to defend the Administration.

Asked on NBC-TV's "Meet the Press" if he agreed with Kendall that the Clintons may owe back taxes and penalties, Cutler said: "All I can tell you is that Mr. Kendall is a very good private lawyer. . . . What the Clintons did in this investment some 10 or 12 years ago is a private affair of theirs in which they're represented by private counsel. This is not really a White House matter."

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Cutler described his new role as helping to deal with the impact of the case on the presidency and with making certain, "as President Clinton said when he asked me to take this job, that everything we do within the White House justifies public confidence in the openness and integrity of his Administration."

Despite his acknowledgment that he did not yet know all the details, Cutler defended the White House on several controversial issues, including the meetings that White House aides had with Treasury Department officials about their investigation into the failed savings and loan involved in the Whitewater case.

Those meetings are being investigated by Robert B. Fiske Jr., the special counsel appointed to look into the Whitewater dealings and related matters.

"The fact is no one -- if I'm correctly informed -- no one in the White House asked that any change be made, and no change was made," he said.

Asked if he had yet sat down with the Clintons and asked them to tell him everything they know about Whitewater, he said: "No, I have not. I have had an opportunity to meet with the President at some length . . . but I have not been into the details of Whitewater. . . . I think in the end it will turn out, at least as far as even a breath of criminal activity by either the President and the First Lady, it will turn out to be nothing at all."

Asked on CBS-TV's "Face the Nation" if the President has told him whether he was innocent of any wrongdoing in the matter, Cutler said: "Of course, he said that to me. And I believe him."

Cutler also said on the CBS program that he is certain that the Clintons and their staffs will cooperate fully with any congressional hearing on the Whitewater matter, just as they are now cooperating with the special counsel's office.

Portions of some documents might have to be withheld for national security reasons, Cutler said, "but in general, when people in the White House, from the President on down, are asked about their personal conduct in the White House involving official business, they should cooperate, and I believe they will."

Calls for congressional hearings continued to come from Republicans, with Democrats just as adamant that they should be delayed.

On ABC-TV's "This Week With David Brinkley," Senate Minority Leader Bob Dole (R-Kan.) reiterated his desire to have hearings soon.

"I think the sooner we have that, the better it's going to be for . . . President and Mrs. Clinton," he said. "We can delay, we can stonewall, but sooner or later there are going to be hearings."

But House Speaker Thomas S. Foley (D-Wash.) said Congress should "respect" Fiske's request that there be no hearings until his investigations of the White House-Treasury Department meetings are concluded.

There have been allegations that the Clintons lost less than the $68,000 that they have previously claimed from their investment in the Whitewater resort

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development in Arkansas, a partnership they shared with James B. McDougal, the owner of Madison Guaranty Savings & Loan, the failed thrift that is also part of Fiske's probe.

McDougal has claimed that the Clintons invested no more than $13,000, although he has said he has no documentation of his charge -- a concession the First Lady noted in her 30-minute interview with Time.

"Jim didn't have any documents. He can recall only from his memory," she said.

Previously, the Clintons have acknowledged that they improperly took tax deductions in 1984 and 1985 on interest payments actually made by the Whitewater partnership. They later filed amended tax returns.

McDougal appeared on the ABC program and denied charges that any money from his savings and loan had been funneled into Clinton's gubernatorial election campaign in Arkansas in 1984.

"That's a lie," McDougal said. "That's a Republican lie. . . . In no way, shape, form or fashion was any Madison Guaranty money put into a Clinton campaign. I'm prepared to go to court in the morning on that. Let's settle that issue. It's a lie."

But McDougal said Hillary Clinton had failed to supply him with old Whitewater real estate development documents that he needed to fill out his income tax returns. The documents have presumably been turned over to the special counsel's office. McDougal said he would be satisfied with copies of the originals.

Asked if he could guess why she had not sent him the documents, McDougal said: "I suppose there's possible embarrassment from some aspect of it . . . for the White House."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 15, 1994

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LEVEL 1 - 10 OF 18 ITEMS

Copyright 1994 The New York Times Company
The New York Times

March 14, 1994, Monday, Late Edition - Final

SECTION: Section B; Page 6; Column 4; National Desk

LENGTH: 725 words

HEADLINE: Clinton Partner Denies One Allegation

BYLINE: By DAVID E. ROSENBAUM, Special to The New York Times

DATELINE: WASHINGTON, March 13

BODY

As Democrats and Republicans continued bickering on television this morning over whether Congressional hearings should be held on the Whitewater case, Bill and Hillary Clinton's business partner in the Arkansas land venture that gave the case its name said that one main instance of supposed wrongdoing never occurred.

The former partner, James B. McDougal said on the ABC News program "This Week" that "in no way, shape, form or fashion" did any money from a savings and loan he headed go "into a Clinton campaign."

Mr. McDougal held a fund-raising event in 1985 to help Mr. Clinton pay off a $50,000 loan that had helped finance his 1984 campaign for re-election as Governor of Arkansas. One matter under investigation by the independent counsel, Robert B. Fiske Jr., is whether any money raised by Mr. McDougal came from the savings and loan, Madison Guaranty. The savings association ultimately collapsed at a cost to the Federal Government of more than $60 million.

Mistake by Aides

Mr. McDougal, his head shaven, sat stiffly before the camera in a high-backed leather chair in his office in Arkansas and complained that the Clintons were refusing to give him corporate records of the Whitewater Development Company that he needed to complete his income taxes.

A White House spokeswoman responded this afternoon that all the records had been turned over to the independent counsel. She said she did not know if the Clintons had kept copies.

Mr. McDougal said he did not believe that the Clintons had committed any crime, but he suggested that material in the records might somehow embarrass them.

The new White House counsel, Lloyd N. Cutler, appeared on all three network interview programs this morning and said that White House aides had made a mistake by discussing the Madison investigation in meetings with officials from the Treasury Department and the Resolution Trust Corporation, the agency

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managing the savings and loan bailout.

But on the NBC News program "Meet the Press," Mr. Cutler said the mistake was "more the appearance of those meetings than anything else."

Between the lines of Mr. Cutler's remarks, one aspect of the White House strategy began to take shape. The White House seems to hope that Mr. Fiske will deal first with the meetings between Treasury Department and White House staff members on Madison Guaranty, as he has said he might, and publish an interim report exonerating Administration officials of wrongdoing on that angle of the case.

Then, they may hope to argue that since nothing wrong has been done since Mr. Clinton became President, Congressional hearings are unnecessary.

Having been named to his position only on Monday, Mr. Cutler said he had not had time to review many relevant documents.

But, he declared: "From everything I have heard, it seems to be clear that no effort was made by any White House people to indicate to the Treasury people what they ought to do, and, indeed, the Treasury and the R.T.C. did not change their position."

Mr. Cutler and the Speaker of the House, Thomas S. Foley of Washington, argued that Congressional hearings should not take place until Mr. Fiske had completed his inquiry.

But Senators Bob Dole of Kansas, Alfonse M. D'Amato of New York and William S. Cohen of Maine and Representative Jim Leach of Iowa, all Republicans, maintained that public hearings were necessary to clear the air.

Mr. Cutler insisted that his job was to advise the President in his public duties and that Whitewater matters would be handled by the Clintons' personal lawyer, David Kendall.

Possibility of Back Taxes

Mr. Kendall said in an interview published this week in U.S. News & World Report that the Whitewater investigation might end up showing that the Clintons would have to pay some back taxes.

Mrs. Clinton, in interviews with Time and Newsweek to be published on Monday, said she and the President would pay whatever additional taxes they owed.

In the interviews Mrs. Clinton took an approach often favored by politicians, admitting that mistakes had been made but rarely saying precisely what they were. For example, in the Newsweek interview, she said: "Clearly there were lots of missteps along the way. I'd be the first to say that, and obviously I wish there weren't because this thing has gotten blown so out of proportion.

GRAPHIC: Photos: Lloyd N. Cutler, the White House counsel, receiving makeup before a network interview program yesterday. (Associated Press); As aides sought to still the call for Congressional hearings on Whitewater, President Clinton strolled down the colonnade at the White House yesterday before going to Detroit for an international conference on chronic unemployment and stagnant

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wages in the industrialized nations. (Reuters)
LANGUAGE: ENGLISH

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LEVEL 1 - 11 OF 18 ITEMS

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USA TODAY

March 14, 1994, Monday, FINAL EDITION

SECTION: NEWS; Pg. 4A

LENGTH: 710 words

HEADLINE: Dems: Don't let Whitewater rock the boat

BYLINE: Richard Benedetto

DATELINE: CLEVELAND

BODY

The Democratic National Committee is determined President Clinton's Whitewater woes will not distract the faithful from the task ahead: electing more Democrats in November.

"We've got to keep our eye on the ball," DNC Chairman David Wilhelm repeats, a mantra picked up by the 700 partisans at the three days of meetings ending Saturday.

Despite assertions Whitewater and escalating attacks on Clinton and first lady Hillary Rodham Clinton are not "distracting" them from mapping 1994 election strategy, Democratic leaders spent a good deal of time hammering out a Whitewater strategy, as well.

Their game plan:

-- Dismiss it as a partisan ploy by Republicans, out of ideas on how to run the country, to bring Clinton down.

-- Attack the personal ethics of Republicans leading the Whitewater charge.

-- Organize women's public forums to defend the first lady.

Wilhelm ended the meetings with a spirited speech that summarized all three, highlighted by blistering personal attacks on three Republican Whitewater critics in the Senate: Minority Leader Robert Dole of Kansas, Alfonse D'Amato of New York and Phil Gramm of Texas.

"Being attacked on ethics by Al D'Amato is like being called ugly by a frog," Wilhelm said. "Being accused of ethics violations by Phil Gramm is like being called low by a snake. Being attacked on ethics by Bob Dole is like being called a tax cheat by Leona Helmsley."

Gramm and D'Amato have been charged with ethics violations in the past, and Dole faced questions about ties to a political aide charged with tax fraud relating to campaign contributions.

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Democrats, tired of being on the defensive and privately miffed at what many here called "inept handling" of Whitewater by an inexperienced White House staff, responded enthusiastically to the Wilhelm broadsides.

Cleveland Democratic Mayor Michael White insisted, "We have nothing to hang our heads down about."

The Democrats also know the party that controls the White House traditionally loses congressional seats in off-year elections. Thus, they need a quick response to Whitewater to hold down those losses.

"Bill Clinton is our president. We're proud of him and his achievements, and we're going to stand behind him," said Michigan Democratic Chairman Gary Corbin. "Republicans are getting desperate because he's succeeding."

Republican National Committee Chairman Haley Barbour, largely silent on Whitewater, dismissed Democratic charges that the brouhaha is being hyped by the GOP to make political hay.

"It's just not true, and I'm not going to abet them in that fraudulent defense," he said.

Vice President Gore, in a speech Friday night, never mentioned Whitewater other than accusing the Republicans of "negativism."

While highlighting the Clinton administration's successes over the past year and goals for the next, he was interrupted by a standing ovation when he said, "I want to commend first lady Hillary Rodham Clinton" for her role in designing the Clinton health-care plan.

The cheers, however, were not for health care, but in support of a first lady under fire.

"There's a need for women to take a stand and say enough is enough," said Lottie Shackelford, a DNC vice chairwoman, ex-mayor of Little Rock and friend of the first lady.

Many here wore maroon and gold badges that said, "Don't Pillory Hillary," and began organizing speeches, TV appearances and letters to the editor in her defense.

"Hillary came in bearing the big burden of trying to be a role model for other women. Now she's paying the price," said Charlotte Coker, of Spokane, Wash., a vice chairwoman of the National Federation of Democratic Women.

But DNC member Lynn Cutler, an organizer of support-Hillary efforts, concedes that the first lady will face many more questions about her role in Whitewater before too long.

Today's Time and Newsweek carry interviews with the first lady, but she and Clinton are considering an appearance on a TV newsmagazine show.

Kay O'Connell, of Branford, Conn., a former president of the National Federation of Democratic Women, said she defends Hillary Clinton "every day of

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the week," so this won't be anything new. "Besides, I think Hillary is going to take care of this whole thing herself. She's very capable."
GRAPHIC: PHOTO, b/w, Tony Dejak, AP; PHOTO, b/w, Mark Duncan, AP

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LEVEL 1 - 12 OF 18 ITEMS

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USA TODAY

March 14, 1994, Monday, FINAL EDITION

SECTION: NEWS; Pg. 7A

LENGTH: 475 words

HEADLINE: Clinton counsel tries to smooth over Whitewater / President directs anger at reporters, Republicans

BYLINE: Steve Komarow

BODY

President Clinton's new lawyer took to the airwaves Sunday to put his calm, soothing coat around the Whitewater scandal - something the boss seems no longer able to do.

White House counsel Lloyd Cutler said the president wants to ensure "everything we do within the White House justifies public confidence in the openness and integrity of his administration."

Cutler, 76, former counselor to President Carter, appeared on all three network interview shows. "It will turn out, at least as far as even a breath of criminal activity by either the president and the first lady . . . to be nothing at all," he said.

Cutler made the prediction noting he was "somewhat fuzzy" on details because it's his first week on the job. "I have no independent knowledge of my own other than what is in the newspapers."

The president assured him he did nothing wrong "and I believe that," Cutler said.

Clinton, meanwhile, appears fed up with reporters' obsession with the Whitewater case.

In New York Thursday to promote a program to hire youths as police aides, Clinton drifted into an attack on his inquisitors. He said Republicans and reporters take what he says and does and "twist it like taffy to the Nth degree."

On Saturday, Clinton wagged his finger at two Knight-Ridder reporters who asked about Whitewater during an interview on his jobs program.

"I've never been in an environment in my life where you were presumed guilty until you were proved innocent," Clinton said angrily. "There has been a convergence of the way the press has handled this and the way the Republicans have tried to manipulate it."

The reporters said Clinton, jaw clenched, abruptly ended an interview, walked

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past the visitors without a handshake.

The picture of reporters and Republicans in cahoots mirrored charges of a GOP president 20 years ago. Republicans suggest Clinton doth protest too much - that he's offering bluster instead of explanations.

"I think that we ought to start the hearings, get everything out there," Sen. Robert Dole, R-Kan., said on This Week With David Brinkley.

The White House hopes Whitewater - a complex series of financial transactions by the Clintons in Arkansas, followed by a series of missteps by their White House - will fade from public interest.

The investigation, however, will drag on. Special counsel Robert Fiske has said his work will carry into next year.

Among the things Fiske wants to know is whether officials tried to sway the Resolution Trust Corp. inquiry. Newsweek reported this week that RTC investigator Jean Lewis was removed from the Madison Savings & Loan case after the White House briefings.

U.S. News & World Report this week quotes David Kendall, the Clintons' private attorney, as saying the investigations may show the president and first lady have some tax liability - but that's all.

GRAPHIC: PHOTO, b/w, Joe Marquette, AP

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LEVEL 1 - 13 OF 18 ITEMS

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USA TODAY

March 14, 1994, Monday, FINAL EDITION

SECTION: NEWS; Pg. 7A

LENGTH: 337 words

HEADLINE: First lady: There's no scandal

BODY

Here are excerpts from Newsweek's talk with first lady Hillary Rodham Clinton:

On comparisons to Watergate: "Oh, I don't think there's any comparison. I think that the idea that there is is way overblown."

On her anger over the Whitewater 'scandal': "It's not even a scandal - it's not a scandal. A failed land transaction."

On allegations of corruption by the Clintons: "I'm very sad about it. But I also have a full life to live. . . . I don't really get the luxury of expending too much energy being angry with people who are being unfair."

On Whitewater connections to late White House aide Vincent Foster: "I don't know. I think that mistakes were made along the way in handling this. . . . I suppose that in today's atmosphere any unanswered questions are going to be grist for the mill. . . . I've tried to learn a lot about suicide and particularly about depression since Vince's death. A lot of us here in the White House have. We've passed around books. We don't have any answers, either. But we don't presume to try to make up answers. I just want this to be put to rest for his family's sake . . . It is extremely painful to have this used as a political football by people. It is really unfair to his family."

On her responsibility for Whitewater mistakes: "Hindsight's always 20/20. I never would have participated in the investment in the first place. Of course, I would have tried to get everybody to focus on it sooner and earlier to try to deal with it. So I think that, of course, I made mistakes. That's part of the learning process you go through when you've never been accused of doing anything wrong before."

On why records weren't made public: "I really have been pulled kicking and screaming to the conclusion that if you choose to run for public office you give up any zone of privacy at all. I get my back up every so often about even having to answer questions that I don't think are in any way connected with the fact that my husband is in public life."

GRAPHIC: PHOTO, b/w, AP

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LEVEL 1 - 14 OF 18 ITEMS

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USA TODAY

March 14, 1994, Monday, FINAL EDITION

SECTION: NEWS; Pg. 7A

LENGTH: 735 words

HEADLINE: A comparison of Whitewater and Watergate

BYLINE: John Hanchette; Chuck Raasch; M.J. Zuckerman

BODY

Q: Republicans compare Whitewater to Watergate. Why?

A: Many are reminded of the scandal that brought Richard Nixon down 20 years ago, where the cover-up seemed worse than the crime. Nixon labored furiously to hide White House involvement in a burglary of Democratic headquarters. Comparisons arose when several of President Clinton's aides met with Treasury officials looking into Clinton's ties to the failed Madison Guaranty Savings & Loan - owned by James McDougal, the Clintons' partner in the Whitewater Development Co. Q: What's wrong with some briefings by Treasury officials?

A: Regulators are supposed to keep an arms-length relationship, but are suspected of helping create a political strategy on how to answer questions about Whitewater and Madison. That raised the question of a White House cover-up. And that is a much easier hook for opponents to hang on than explaining the intricate workings of a failed Arkansas Savings and Loan and its ties to a failed land deal. Too, it brings the story to Washington, with all that city's competitive media chasing it. Q: Is the Watergate comparison fair?

A: President Clinton ordered staffers to cooperate with subpoenas from a special counsel looking into his involvement in the Whitewater venture and its connections with Madison Guaranty Savings & Loan. Nixon fought subpoenas all the way to the Supreme Court and instructed aides to "stonewall it." Also, Watergate began with the commission of several crimes - including burglary and abuses of campaign finances. In Whitewater, although the investigation is continuing, no such crimes have come to light to date. Q: Are there any parallels?

A: Some: White House chief counsel Bernard Nussbaum resigned as the first casualty of the Whitewater scandal. In Watergate, one of the first Nixon staffers to go was his chief counsel, John Dean, who later gave the most damaging testimony about Nixon's cover-ups. Q: Are there others?

A: Nixon tried to control the FBI investigation of the Watergate break-in, and the bureau's director burned key documents in his personal fireplace. Last July, Nussbaum made FBI agents cool their heels during the initial investigation of deputy White House counsel Vincent Foster's apparent suicide until he could go through Foster's papers. Q: Why did that raise suspicion?

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A: It was later revealed Nussbaum removed Foster's Whitewater files. The initial FBI search of Foster's briefcase produced nothing but later, Nussbaum claimed he found a suicide note, torn up but bearing no fingerprints. Clerks at Hillary Rodham Clinton's Little Rock law firm say they were told to shred documents that may have been Whitewater-related. Q: Why is the Whitewater fuss important?

A: Because the special counsel's investigation could give the president's political adversaries an advantage. When subpoenas are issued, other work in the White House slows or may halt. Congress puts itself on hold. Q: What will that do?

A: It's already hampering Clinton's effort to sell his health-care reform package. Q: How is Hillary Rodham Clinton involved?

A: Her participation in Whitewater seems deeper than the president's. She represented Madison Guaranty as a lawyer in Little Rock and took a strong role in the Whitewater real estate deal. However, again, there's absolutely no proof anything wrong occurred with Madison or Whitewater. Q: Are congressional hearings likely?

A: Some think they are inevitable. Republicans have agreed to delay until special counsel Robert Fiske can interview key witnesses. The House banking committee has a hearing set for March 24 to review the savings and loan cleanup. Republican Jim Leach of Iowa promises "blockbuster" revelations. Q: Why is the White House concerned if nothing wrong transpired?

A: Once a probe hits the news, it gains a life of its own, and is almost impossible to quell. Constituents call congressmen and the White House and demand answers to questions - relevant or irrelevant. Federal attention is riveted to nothing else. Q: When will these hearings occur?

A: Probably near the end of June. Republicans promised Fiske Congress won't offer immunity for testimony, leaving open possible criminal prosecution. This creates the prospect of Clinton aides and other Democratic officials claiming executive privilege or citing the Fifth Amendment - a tantalizing political prospect for the GOP in an election year.

GRAPHIC: PHOTO, b/w, AP

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LEVEL 1 - 15 OF 18 ITEMS

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WALL STREET JOURNAL

March 14, 1994, Monday

SECTION: Section A; Page 14, Column 1

LENGTH: 34 words

HEADLINE: REVIEW & OUTLOOK: THE FISKE COVERUP II

ABSTRACT

Editorial sees indications that Independent Counsel Robert Fiske's investigation into the Whitewater/Madison affair is beginning to look like a coverup; drawing

GRAPHIC: Diagram

LANGUAGE: ENGLISH

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LEVEL 1 - 16 OF 18 ITEMS

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WALL STREET JOURNAL

March 14, 1994, Monday

SECTION: Section A; Page 14, Column 3

LENGTH: 32 words

HEADLINE: 'A CHILLING EFFECT'

BYLINE: BY JIM LEACH

ABSTRACT

Excerpts from letter sent by House banking committee member James A Leach to independent counsel Robert Fiske regarding the Whitewater/Madison investigation (L)

LANGUAGE: ENGLISH

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LEVEL 1 - 17 OF 18 ITEMS

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March 14, 1994, Monday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 1438 words

HEADLINE: Desire for Privacy Cited on Whitewater;
First Lady Concedes Mistakes, Not Misdeeds

SERIES: Occasional

BYLINE: Ann Devroy, Washington Post Staff Writer

BODY

First Lady Hillary Rodham Clinton said a desire for privacy made her resist answering questions about Whitewater, and she joined the new White House counsel in asserting yesterday that the issue is one of White House mistakes in handling, not one of wrongdoing.

Hillary Clinton, in interviews with newsmagazines released yesterday, offered her first extensive comments on the Whitewater issue, saying the uproar surrounding it will result in "people ... spending millions and millions of dollars" who will ultimately "conclude we made a bad land investment."

The interviews by the First Lady with Time and Newsweek magazines, and the appearance on all three Sunday morning news interview shows by new White House counsel Lloyd Cutler, were the latest steps in the administration's effort to dampen the Whitewater issue. The issues include the Clintons' investment in the Whitewater Development Corp. and their relationship with their partner in the land company whose savings and loan association, Madison Guaranty, failed.

The White House had seriously considered having the president and First Lady appear together on a midweek television interview show, but opted for the more low-key newsmagazine approach to move her back out into public view.

Republicans, however, continued to push for congressional hearings, arguing that the White House needs to give a fuller accounting of Whitewater and how it has handled the issue since Clinton took office. Senate Minority Leader Robert J. Dole (R-Kan.) chided the Democrats for resisting hearings. "We can delay and we can stonewall, but sooner or later, there will be hearings," he said on ABC's "This Week With David Brinkley."

Rep. Jim Leach (R-Iowa), senior minority member on the House Banking Committee, which oversees the savings and loan industry, said the Democrats were preventing him from calling the witnesses he needs for a day of House hearings.

"It will be up to the American people to make a decision on whether or not that is full disclosure," he said on CBS's "Face the Nation," "or whether that is a rallying of the troops around what can only be defined as a public effort

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to not allow the American people to know the facts."

Neither Cutler nor Hillary Clinton would answer specific questions on the circumstances surrounding the Clinton investment with James McDougal in the Whitewater land development project or the complicated financial dealings since. McDougal was also the owner of the failed savings and loan. Its connections to Whitewater and the Clintons are being investigated by Robert B. Fiske Jr., the special counsel.

Cutler, in his television appearances, said questions about the Clintons' involvement in Whitewater should be directed to the Clintons' private attorney because that is a private affair, not properly handled by a White House lawyer. He said he has examined neither the details of Whitewater nor the documents and details of meetings between White House aides and regulators on the issue. But he asserted, nonetheless, that the Whitewater affair "will turn out to be nothing at all."

Cutler said the president had told him he is innocent of any wrongdoing in the Whitewater case and "I believe that."

Hillary Clinton, in the two interviews -- which concentrated on her feelings about the case rather than many of the disputed facts surrounding Whitewater and Madison Guaranty -- said of Whitewater:

"We made lots of mistakes. We never should have made the investment. And I suppose the other big mistake that I made was not appreciating how other people view this when I knew we had done everything we knew to make good on obligations, like paying property taxes and other things to try to be as careful as possible."

Hillary Clinton said she and her husband "didn't do anything wrong. We never intended to do anything wrong."

Administration officials said this week that a team of lawyers, accountants and others have been piecing together Whitewater records under the direction of the Clintons' personal lawyer, Donald Kendall, and will inform the Clintons if further action on their part is needed. One adviser to the Clintons said that some additional "tax liability" may be found but no more problems exist with regard to their investment in the land development company.

Hillary Clinton said that after an analysis of Whitewater was made during the presidential campaign, the Clintons paid additional taxes. "There were activities that we didn't know anything about that have only recently been brought to our attention. And as we gather more information, we will act appropriately," she said in the Time interview.

In the Newsweek interview, she spoke of her resistance to intrusions on her privacy. Asked if no wrongdoing had occurred, why had she opposed making records public and fought the appointment of a special counsel, she replied, "I really have been pulled kicking and screaming to the conclusion that if you choose to run for public office, you give up any zone of privacy. I get my back up every so often about even having to answer questions that I don't think are in any way connected with the fact that my husband is in public life."

Although that answer suggested that the First Lady does not see herself as

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being in public life, later in the interview, she suggested the questions of her role in Whitewater, as the handler of the family financing and as a lawyer representing Madison before regulators, were part of a broader attack on her role in health care and other issues.

Hillary Clinton, in both magazine interviews, insisted that she and her husband had been "candid" throughout the Whitewater issue, adding, "We have been more than open and candid. We have not denied any documents. We have claimed no privilege. But for years, we've been asked questions we do not know the answers to."

The Clintons turned over their Whitewater documents to the Justice Department this year in the midst of the uproar over the issue. But they have repeatedly refused to provide documents substantiating their contention that Whitewater was a failed investment, or documents used to produce the Clintons' first accounting of Whitewater during the presidential campaign two years ago.

Although the White House portrayed the newsmagazine interviews as the First Lady submitting to questions for the first time since the issue took center stage, the interviews were granted only with the proviso that no questions touch specifically on issues before the special counsel.

So the interviews amounted not to a questioning of the First Lady on the original Whitewater investment, her legal representation of Madison or her knowledge of any of the White House meetings in which key aides were briefed by regulators on the Whitewater investigation. Instead, the interviews centered on mistakes she may have made in handling the issue and on her efforts to get beyond those.

McDougal, the Clinton partner, complained in a television interview that he had been unable to obtain some Whitewater records from the Clintons, but said the president and First Lady "are guilty of committing no crime." At the worst, he said on the Brinkley show, the First Lady is guilty only of "poor bookkeeping." He said there is nothing to one central question in the investigation: whether Madison was used to funnel money into Clinton gubernatorial campaign accounts a decade ago. "That's a Republican lie," he said.

Clinton, meanwhile, traveled to Detroit yesterday to attend the "jobs summit" he called for last summer during the annual summit of the leaders of the seven major industrial democracies. The Detroit conference, which was attended by ministers from the G-7 countries, addresses problems of structural unemployment.

"In every wealthy country now, there is difficulty creating new jobs," Clinton said after touring a job-training plant in a rundown neighborhood. "In every advanced economy, now, there are problems regarding work with higher wages, year in and year out, and many, many people are stuck with wages that do not go up, even when they work harder. And we are looking for answers to unlock this."

He said the job program, which provides training on high-tech equipment, was a model for America. "Here we are, in an inner-city neighborhood, with building after building of plants that were closed down, which could have become yet another excuse for why people can't make it if they are poor," Clinton said.

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"This is a place that says when, when you work, when you learn, when you can do, you can have a future."

Staff writer Ruth Marcus in Detroit contributed to this report.

GRAPHIC: PHOTO, NEW WHITE HOUSE COUNSEL LLOYD CUTLER HAS MAKEUP APPLIED BEFORE INTERVIEW SHOW, PART OF THE ADMINISTRATION'S EFFORT TO DAMPEN THE WHITEWATER ISSUE. AP

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 14, 1994

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LEVEL 1 - 18 OF 18 ITEMS

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March 14, 1994, Monday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 2014 words

HEADLINE: Resistance Fed Firestorm Of Questions

SERIES: Occasional

BYLINE: Ruth Marcus, Washington Post Staff Writer

BODY

On Thursday afternoon, as the first wave of White House officials appeared before a federal grand jury, First Lady Hillary Rodham Clinton telephoned a senior White House official to relate her concern.

"She just wanted to know how her girls did today," the official said. Among the first White House aides to testify before the grand jury were two of Hillary Clinton's senior aides, chief of staff Margaret Williams and press secretary Lisa Caputo.

Hillary Clinton's actions in Arkansas, where she played a dual role as the wife of the governor and a partner at the influential Rose Law Firm, have become a major focus of attention in the controversy over the Whitewater real estate investment and Madison Guaranty Savings & Loan, the failed thrift owned by the Clintons' Whitewater partner for which Hillary Clinton did legal work.

And at the White House, according to a number of administration officials, Hillary Clinton resisted additional disclosures about Whitewater and her legal work. She had been among the last holdouts fighting the appointment of a special counsel -- a posture that, as White House officials now concede, added to the public perception of a White House with something to hide.

Presidential counselor David R. Gergen said Saturday that it is "wholely unfair to make Hillary Clinton the scapegoat in the way the White House has handled the Whitewater matter. She has been part of a decision-making process in which strong arguments have been presented on both sides on a couple of tough judgment calls... . She has not thought it right to be stampeded by critics whose motives are often open to question."

"There is a lot of misinformation out there about both of them and about the White House in general and about this issue, and when there's misinformation, they both think their obligation is [to] clear up the facts and put this in perspective," said media adviser Mandy Grunwald.

Late last week, in recognition of the increasing focus on her role and a clamor in Congress and the press that she answer questions, the First Lady gave interviews for today's editions of Time and Newsweek in which she admitted

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mistakes were made by not dealing with the issue earlier and not appreciating how others would perceive things.

During President Clinton's first year in office, Hillary Clinton seemed to manage simultaneously to fill the traditional role of First Lady and to expand that position far beyond the reach of almost any predecessor. Her public persona carefully showed her blending both roles, fussing over White House menus even as she presided over plans to restructure the nation's health care system.

The recent press focus in some ways reflects her increasing role as a public figure -- subject to the intrusive and difficult questions that public figures often must confront.

"If anything, it is non-sexist in that the focus is not because she is a spouse but because she is such an important individual figure," said Sen. Bob Graham (D-Fla.), who urged the White House to have Hillary Clinton answer questions about her role in Whitewater and other matters.

The scrutiny has created what her close friends and associates say has been a difficult and painful period for the First Lady, whom they describe as alternately angry and bewildered about the controversy surrounding her.

"She feels like she and the president have worked hard, that they've basically never been about making money, that they got into a thing that didn't go very well and all of a sudden people are trying to blow this thing up to compare it to Watergate or something," said political adviser James Carville.

Some of that anger flashed through in her interview with Elle magazine on March 4 -- the day the White House received its flurry of subpoenas. Hillary Clinton called the focus on Whitewater "a well-organized and well-financed attempt to undermine my husband, and by extension, myself, by people who have a different political agenda or have another personal and financial reason for attacking us."

One close associate described her as "a very vulnerable woman" right now. "She was gold-plated. She was an accomplished woman in Arkansas building a new role for a politician's wife; these corporate guys loved her. She comes in here and she took the capital by storm, everybody liked her. Even [Senate Minority Leader Robert J.] Dole was saying great things about her. Now, she wakes up every day the past few weeks and can't believe this is happening to her," the associate said.

Said another adviser, "I think she went through some difficult days" as White House aides were subpoenaed and counsel Bernard Nussbaum, her longtime friend, was forced to resign. By mid-week, however, Hillary Clinton seemed to be returning to fighting form.

At a staff pep rally after the announcement of Lloyd Cutler as interim White House counsel, she exhorted the staff not to lose sight of why they were working at the White House.

"Hillary said we have to keep in mind that there are real people out there... . As long as we can focus on them and what their problems are, we won't think about us and what our problems are," said one person present.

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The next day, she went to a health care meeting on Capitol Hill, remarking wryly at the flock of television cameras surrounding her, "I never knew there was so much interest in health care."

She is "determined" not to let the criticism distract her from the effort to enact health care reform, said University of Arkansas political scientist Diane Blair, a close friend who spoke with Hillary Clinton last week.

That criticism has its roots in Whitewater, the failed real estate venture in which Hillary Clinton appears -- as in the rest of the couple's financial dealings -- to have been more active than her husband. The family's principal breadwinner while Bill Clinton served as governor, Hillary Clinton took out a $ 30,000 loan in her name to build a model home on the Whitewater property. Their partner James B. McDougal, the owner of Madison Guaranty, has suggested that corporate assets were used to repay her bank loan, one of the many questions that have been raised about possible improper tax deductions by the Clintons during the mid-1980s. But yesterday, on ABC's "This Week With David Brinkley," McDougal said the Clintons committed no crimes and at worst are guilty of "sloppy bookkeeping."

Hillary Clinton also took a more interested role in Whitewater's management as McDougal and his former wife, Susan, came under federal investigation in the mid-1980s for their involvement with Madison. Madison employees recall Hillary Clinton making inquiries about Whitewater's checking account and tax bills. She also sought power of attorney from the McDougals as Whitewater foundered, saying in a letter she wanted to take care of remaining real estate matters.

The McDougals also have said Hillary Clinton resisted their efforts to buy the Clintons out of the Whitewater investment. One of the central questions in the Whitewater affair has been why the Clintons chose to remain in business with McDougal when his S&L was collapsing from unsound business practices and the federal government was accusing him of fraud. He was tried and eventually acquitted of the charges.

Questions about Whitewater, in which the Clintons claim to have lost $ 69,000 -- a figure that even the White House now says may be too high -- multiplied in part because of Hillary Clinton's role as a lawyer for Madison Guaranty. McDougal has said he put Hillary Clinton's firm on a $ 2,000-a-month retainer after Bill Clinton stopped by Madison's offices during a jog and complained that the family was short on money.

Madison was seeking approval for a new financing plan, and Hillary Clinton represented the thrift in that effort, before a state banking regulator appointed by her husband. The regulator, in a letter that began, "Dear Hillary," approved the plan, which was never implemented.

In an interview last year, Hillary Clinton described her legal work for Madison as "minimal." She said she did not share in Rose firm profits from state business and almost never did work before state officials appointed by her husband. McDougal said yesterday the Rose firm was hired primarily to do "the minutiae" of land business and was not the S&L's lead law firm.

Questions also have been raised about Hillary Clinton's involvement, as a lawyer in private practice, in a lawsuit on behalf of the federal government against Clinton friend and campaign fund-raiser Daniel Lasater. Court records

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show that Hillary Clinton signed four documents in the case, which was handled by her former law partner, Vincent Foster, who served as deputy White House counsel before his death last summer.

A Rose firm lawyer earlier this month described her work as mere "pinch-hitting" by signing documents researched and prepared by him and other lawyers. But members of Congress have raised questions about the propriety of her involvement in the case and asked the Federal Deposit Insurance Corp. to review the role of the Rose Law Firm.

In the White House, staff members say she dislikes and distrusts the press more than her husband and that when controversy erupts, her instinct is to fight. One senior official cited the firing of the White House travel office as a case in point.

"Clearly, she was more combative than just about anyone" when criticism erupted after the firings were announced, the official said. "She felt like we were being somewhat impish in defending the firing of those employees, that we shouldn't have been so defensive about it... . She felt like after the firings the White House should have said, 'We don't have to explain ourselves on this. We felt they weren't up to our standards and we let them go, and that's that.' "

As the Whitewater story began to reappear in the press last fall, and questions about her role resumed, Hillary Clinton's approach was similarly defiant. According to White House aides, she firmly believed that neither she nor her husband had done anything wrong, that they had already provided more financial information during the campaign than previous presidential candidates, and that was disclosure enough.

She similarly opposed the appointment of a special counsel. Even as the White House was acceding to demands for an outside investigator, Hillary Clinton "was more reluctant than the others," said one senior official. "Eventually, she had to relent."

White House officials last week said Hillary Clinton's approach came from her legal training and legal advice from others, particularly Nussbaum. "You can appreciate that she sees the legal aspects of this particular matter and what you should be expected to provide and what you shouldn't," said White House Chief of Staff Thomas F. "Mack" McLarty.

Said another senior official, "The lawyers in this case have argued that the documents alone are not going to answer questions, they're just going to raise a lot of questions... . She's a lawyer by training so it makes sense that she would be concerned about that."

On the naming of a special counsel, the official said, White House counsel Nussbaum warned that outside investigators "have a very uneven record and they could be rummaging around in your lives for five or six years... . Why are you going to put your head in that noose? ... When she listens to that counsel and is worried about it, she suddenly gets portrayed as being the resistant one."

But others who know her well also said that Hillary Clinton, more than her husband, remains suspicious of Washington and reluctant to go along with arguments that Washington political prudence dictates a certain result.

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The Washington Post, March 14, 1994

"A special counsel was inevitable," said one prominent Democrat. "Anybody who doesn't understand that is naive. More than the president, on a regular basis, she says, 'Just because it's always happened that way in Washington, why does it still have to happen that way?' She's testing the limits of why you have to operate the way Washington has always operated."

GRAPHIC: PHOTO, HILLARY CLINTON.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 14, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
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James Igo
Carl Gamble
Trudy Walsh
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 14, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are twenty-six (26) news articles from Nexis, relating to Madison Guaranty, dated March 12-13, 1994.

LEVEL 1 - 1 OF 54 ITEMS

The Associated Press

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March 13, 1994, Sunday, AM cycle

SECTION: Washington Dateline

LENGTH: 875 words

HEADLINE: Cutler Says Whitewater Inconsequential; McDougal Says No Crime

BYLINE: By RON FOURNIER, Associated Press Writer

DATELINE: WASHINGTON

BODY

Following the first lady's lead in damage control, White House counsel Lloyd Cutler predicted Sunday the Whitewater affair "will turn out to be nothing at all." Republicans pushed harder for hearings, with a GOP senator questioning the president's truthfulness.

And the former owner of a failed Arkansas thrift at the center of the federal investigation said President Clinton is "guilty of committing no crime." James McDougal, who co-owned the Whitewater Development Corp. with the Clintons, said Hillary Rodham Clinton is guilty of nothing, other than "poor bookkeeping."

Cutler was named special counsel last week to temporarily replace Bernard Nussbaum, who resigned under pressure after revelations of private White House briefings with Treasury Department officials. The White House was told about a confidential investigation into McDougal's thrift, Madison Guaranty Savings and Loan, and its ties to Whitewater.

Hitting three network talk shows, Cutler made his debut as the point man for the White House Whitewater strategy: Concede to mistakes that gave the appearance of a cover up, argue that the Clintons were actually totally forthcoming and resist congressional hearings.

"At least as far as even a breath of criminal activity by either the president and the first lady, it will turn out to be nothing at all," Cutler said on NBC's "Meet the Press."

Mrs. Clinton sounded the new theme Saturday, telling news magazines that she made the mistake of trying to withhold details about Whitewater to protect her family's privacy.

"I really have been pulled kicking and screaming to the conclusion that if you choose to run for public office you give up any zone of privacy at all," Mrs. Clinton told Newsweek, as new poll results show her popularity dropping

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amid reports about her work with the family's finances and as an attorney for Madison.

Echoing Cutler, key adviser David Gergen told reporters before leaving for Detroit with Clinton, "We are making absolute full disclosure with the legal authorities."

Republicans were unbending in their demand for congressional hearings. Taking the most extreme line, Sen. Alfonse D'Amato, R-N.Y., mocked Clinton for saying he did not know who tipped him to the confidential federal inquiry.

"I find it difficult to understand how it is if you're mentioned in a ... criminal referral that you wouldn't remember who told you and when they told you,"' he told NBC. "Are we to believe that Mr. and Mrs. Clinton weren't advised?"

At first saying he had no idea who told him, Clinton told reporters last week that adviser Bruce Lindsey "probably" informed him about the probe. Aides insist Lindsey passed on only what he heard from reporters, although he attended one of the Treasury Department briefings and was told about another.

D'Amato also challenged Mrs. Clinton, who said through a spokesman that she learned of the inquiry from the media. Noting that Mrs. Clinton's chief of staff, Margaret Williams, attended one of the briefings, D'Amato asked, "What was Maggie Williams doing there?"

Williams was one of three White House aides who testified to a federal grand jury last week about their contacts with Treasury. Seven other administration officials, including three from the White House, are also under subpoena.

Special counsel Robert Fiske wants to know whether the officials tried to influence the Resolution Trust Corp. inquiry. "Newsweek" magazine reported this week that RTC investigator Jean Lewis was removed from the Madison case after the White House briefings. Citing anonymous sources, the magazine said Lewis is expected to testify before Congress about her disputes with RTC officials over the investigation.

Appearing on ABC's "This Week with David Brinkley," Senate Minority Leader Bob Dole chided Democrats for avoiding hearings. "We can delay and we can stonewall, but sooner or later there will be hearings," he said.

Democrats argue that hearings would hinder Fiske. Republicans have said they will delay hearings until Fiske finishes his investigation of the Treasury meetings.

Cutler said Clinton would be unlikely to testify in person to Congress, opting instead for written testimony or interviews. But he did not rule out the unusual drama of a president answering to lawmakers. "It really depends on the gravity of the matter," he told CBS.

McDougal, who has suffered emotional and physical problems, chastised the Clintons for not returning copies of Whitewater documents that he needs to file taxes.

He said the lapse made it appear that the Clintons were hiding something.

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"It's very stupid," McDougal told ABC. Fiske has the original documents.
Asked about allegations that Madison deposits went to Clinton's gubernatorial campaign, McDougal said, "That's a Republican lie."

New public opinion polls suggested Saturday that Whitewater has affected how Americans view the first lady.

A new CBS-New York Times poll said 27 percent had an unfavorable view of Mrs. Clinton, compared to 23 percent a month ago. A Newsweek poll also found that Mrs. Clinton's unfavorable rating climbed to 42 percent from 29 percent in February. Meanwhile, a Time-CNN poll said half the people still consider her more ethical than most politicians.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 13, 1994

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LEVEL 1 - 2 OF 54 ITEMS

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Los Angeles Times

March 13, 1994, Sunday, Home Edition

SECTION: Opinion; Part M; Page 1; Column 1; Opinion Desk

LENGTH: 1171 words

HEADLINE: WHITEWATER'S POWERFUL UNDERTOW;
THE DAMAGE OF DAMAGE CONTROL

BYLINE: By Suzanne Garment, Suzanne Garment, a contributing editor to Opinion, is a resident scholar at the American Enterprise Institute. She is the author of Scandal: The Culture of Mistrust in American Politics (Times Books).

DATELINE: WASHINGTON

BODY

Around Washington last week, political types have two major reactions to the continuing Whitewater uproar. Some people express highly vocal astonishment at how the still- unknown, probably-not-so-big Whitewater offenses have acquired all the trappings of a major scandal. Other folks are just tickled at the Clintons' troubles and opine righteously about the First Couple's arrogance of power.

Neither school seems to see that a big part of Whitewater's fascination is its role as a mirror to the bitter politics of the past 25 years.

Clinton defenders are surely right about one thing: The underlying offenses now laid at the door of the Clintons, especially of Hillary Rodham Clinton, are sins often committed in state politics with only minor comment. Money may have moved illegally between Bill Clinton's Arkansas campaign funds and the Whitewater Development Corp. -- but so far we've heard no evidence that the Clintons knowingly violated the law. It may also be that indebtedness to Clinton swayed an Arkansas banking regulator's decision about whether to sanction the practices of Madison Guaranty Savings & Loan, but such crimes are notoriously hard to prove.

True, it was not just these allegations that made Whitewater fester and spread. There was also what is now known as the "cover-up." The Clinton Administration has behaved almost inexplicably in reacting to this scandal.

Recently ousted White House Counsel Bernard W. Nussbaum and Hillary Rodham Clinton both worked for the House Judiciary Committee during Watergate in a successful attempt to bring down President Richard M. Nixon. In other words, they helped create the climate of pervasive political mistrust without which Whitewater, at least in its current bloated form, could not happen. No wonder people are asking how these same two people could be so blind to the moral and practical dangers of stonewalling?

But the puzzle is broader than that. In the time since Watergate, we have

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seen scandal after scandal follow the same pattern: exposure of wrongdoing, cover-up, exposure of cover-up, conflagration. In other words, we have had 20 years of training in the difference between successful and self-destructive damage control. Where were the Clintonites while all this was going on?

Yet, the facts are unmistakable: In the wake of Vincent W. Foster Jr.'s suicide, some of the Clintons' papers were removed from his office and sent to their outside personal lawyer rather than remaining available to federal investigators. The First Couple strenuously resisted giving the Justice Department documents in their control. Other documents were shredded by Hillary Clinton's old law firm. White House aides met with regulators to discuss an investigation in which the Clintons were involved.

So what is going on here? Well, one factor at work is that the Clinton White House has been operating with an insufficient amount of adult supervision.

The tales of White House staff behavior are numerous and consistent: Meetings called on the spur of the moment. Often anyone can walk into a meeting and ask a question. Whenever crisis strikes, everyone drops what he or she is doing and races in that direction. As one Administration official described, "They're like little kids just learning soccer. They don't know how to play their positions: When the ball moves, the whole team just follows it."

From time to time, an outsider, like David R. Gergen or Lloyd N. Cutler, is brought in as savior and legitimizer. But the White House insiders resist acculturation. Thus, it is no surprise that some of the Whitewater mess is due, just as Administration spokespeople have said, to dumb mistakes.

Next, Hillary Clinton is right to charge that partisanship is at work here. She blames it on Republicans and others who have political or financial reasons for opposing her husband's programs, but here she is off the mark. The passionate rage with which the opposition party and its writers pursue the Clintons comes from 20 years of being told by Democrats that Republicans and people who like the private sector are slimeballs.

In the years after Watergate, many of the Clintons' comrades, who were not known as notable sticklers for the rules, used the issue of ethics as a tool against Republicans and conservatives. The ethics enthusiasts encouraged journalists in the habit of thinking of scandal as the center of political news.

Now the press is hooked, with an addict's craving for scandal politics. Republicans have come into possession of a satisfying fix. To ask them now to stop in their tracks, assume the mantle of statesmen, and proclaim this an occasion for both parties to kick the scandal habit is useless and perhaps even counterproductive: The current scandal-mongering will probably not stop until both parties have had their noses rubbed in it.

Yet, perhaps the strongest subterranean stream feeding this scandal is ambivalence about the First Lady. This resentment is somewhat unexpected. Hillary Clinton is admired by many for embodying the idea of the new, more assertive woman who shares in her husband's career without sacrificing her own individual work, interests and open access to political power.

Some people doubtless hate her for precisely this reason: She is a woman

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exercising unprecedented female political authority. Others probably dislike her certitude -- men because they think it pushy, women because it refuses to acknowledge the tensions and ambivalence of their own lives as workers, wives and mothers.

Most important, Hillary Clinton has run afoul of the deep American animus toward nepotism. We hate the practice because it announces that power will be distributed not according to rules by which all can compete but within unbreachable walls of blood and kinship. Also, it enables some people in power to escape the normal channels of accountability. Mrs. Clinton has so far not been forced to give direct answers to questions about Whitewater. Each public appearance she makes, answering only what she chooses to answer, delivers the reminder that some politicians under scandal fire are more equal than others.

Whitewater shows us a scandal machine -- built of multiple rules and the large-scale urge to exploit them -- that is expert in magnifying public figures' sins. It also shows us that some of the designers of this machine did not take it seriously either as a threat or as a guide to their own conduct.

The scandal displays a generation, finally come to power in the White House, seemingly incapable of the self-discipline necessary to build an organization that might present a reasoned response to a crisis like Whitewater. Finally, it reveals a First Lady who does not understand that she must sometimes be governed by the rules and attitudes that constrain more ordinary politicians.

We have seen the 1960s all grown up, and the sight makes a depressing prediction about the course of the Whitewater scandal and the future of the Clinton Administration from here on in.

GRAPHIC: Drawing, MIN JAE HONG / for The Times

LANGUAGE: ENGLISH

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LEVEL 1 - 3 OF 54 ITEMS

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March 13, 1994, Sunday, Home Edition

SECTION: Part A; Page 16; Column 1; National Desk

LENGTH: 228 words

HEADLINE: FIRST LADY ADMITS 'MISSTEPS' IN HANDLING WHITEWATER CONTROVERSY

BYLINE: By Associated Press

DATELINE: WASHINGTON

BODY

First Lady Hillary Rodham Clinton acknowledged Saturday "a lot of missteps" in the handling of the Whitewater controversy and, in part, blamed her desire for privacy for the matter not being explained earlier and more fully.

"Of course I made mistakes," she said in an interview with Newsweek magazine, discussing the handling of the controversy.

She said "this thing has gotten blown so out of proportion" and that she regretted not recognizing sooner that journalists would pursue the matter if details were not provided.

In a separate interview with Time magazine, she said: "We made lots of mistakes. We never should have made the investment, for one."

Until the interviews with the magazines, the First Lady, whose role in Whitewater has come under increasing scrutiny, has had little public comment on the matter.

She was involved in the Whitewater land deal in the 1970s, both by managing her family's financial affairs and as an Arkansas attorney who represented Madison Guaranty Savings & Loan, which had ties to Whitewater.

She told Newsweek that "I get my back up every so often" about having to answer questions she believes have no connection with her husband's public life.

"I really have been pulled kicking and screaming to the conclusion that if you choose to run for public office you give up any zone of privacy at all," she said.

LANGUAGE: ENGLISH

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LEVEL 1 - 4 OF 54 ITEMS

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March 13, 1994, Sunday, Home Edition

SECTION: Part A; Page 18; Column 1; National Desk

LENGTH: 1353 words

HEADLINE: FISKE SENDS A MESSAGE: DON'T INTERFERE;
PROBE: WHITEWATER SPECIAL COUNSEL IS PRAISED FOR QUICKLY TAKING CHARGE OF CASE. LAWYERS SAY IT'S SHAPING UP LIKE A TEXTBOOK INVESTIGATION.

BYLINE: By SARA FRITZ, TIMES STAFF WRITER

DATELINE: LITTLE ROCK, Ark.

BODY

Special counsel Robert B. Fiske Jr. was not just collecting evidence with his surprise subpoenas to the White House and the Rose Law Firm. His primary purpose, according to sources familiar with his strategy, was to send a stern message to President Clinton's top aides and other key players in the Whitewater controversy that he is alert to any attempt to obstruct justice.

Fiske, a former New York prosecutor appointed in January to conduct an independent investigation of the Clinton family's investment in the Ozark real estate development and related issues, has already won widespread praise from Democrats as well as some Republicans for the speed with which he has taken charge of all aspects of the case.

He has not only issued subpoenas in response to reports of document shredding at the Rose Law Firm and questionable White House contacts with regulators, but has also muted demands for wide-ranging congressional hearings and achieved a promise of full cooperation from the President.

Judging from Fiske's actions so far, lawyers familiar with the delicate task of investigating a White House-related case said that he appears on his way to conducting a textbook investigation.

"He's doing an excellent job -- thorough and aggressive," said Samuel Dash, the Washington lawyer who made a reputation investigating the Watergate scandal during the Richard Nixon Administration. "He's wanting to be all business. . . . He's casting a wide net."

While Fiske has declined to discuss his strategy, lawyers both inside and outside his inner circle said his decision to interview White House aides and Rose Law Firm couriers was an important first step intended to make it clear that any efforts to cover up possible crimes will be treated as seriously as the crimes themselves.

In the Watergate and Iran-Contra scandals, prosecutors learned too late that crucial evidence had either been destroyed or kept from them. What Fiske is

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trying to prevent, the experts say, is another instance comparable to the famous 18-minute gap on Nixon's Watergate tapes or the shredding of documents by White House aide Oliver L. North as the Iran-Contra scheme unraveled.

"He wants everyone to know that, if they tamper with evidence, he will not treat them lightly," said one knowledgeable source who declined to be identified. "He must feel that there is some advantage to scaring the people at the top."

Last week, Fiske subpoenaed top White House aides to testify before a grand jury in Washington about meetings with Deputy Treasury Secretary Roger Altman, the government official responsible for overseeing the Resolution Trust Corp. investigation of the failed Madison Guaranty Savings & Loan, which was owned by the Clintons' partner in the Whitewater Development Corp.

White House officials have said they were simply getting a status report on the RTC inquiry, but Republicans in Congress contend that the meetings created at least an appearance that the White House was trying to interfere.

In Little Rock, Fiske called two Rose Law Firm couriers to testify before a grand jury after they acknowledged shredding documents that they said belonged to Deputy White House Counsel Vincent Foster. Before he apparently committed suicide last summer, Foster was in charge of closing the books on the Clintons' Whitewater investment.

Lawrence E. Walsh, the Iran-Contra special prosecutor who spent five years trying to sort out efforts by aides to President Ronald Reagan to conceal evidence, praised Fiske for his quickness in issuing subpoenas.

"He's very decisive," said Walsh, who was criticized for taking too long to investigate the secret sale of weapons to Iran and the diversion of money to Nicaraguan rebels. "He's made a decision to issue a subpoena much faster than I did. I think that is very good."

Nor has Fiske's investigation deviated much from a standard technique in white-collar criminal cases: interviewing low-level functionaries before taking depositions from top players. Therefore, it is widely assumed that he will wait until later to talk to Clinton and First Lady Hillary Rodham Clinton.

Several White House aides said they were unaware of any effort by Fiske so far to schedule an interview with the President. Clinton's personal lawyer, Donald Kendall, declined to comment.

If Fiske interviews the President, as he has said he will do, it could set something of a precedent. Even though Nixon was forced to relinquish tapes of his Watergate conversations, he was not interviewed by investigators until after he left office. Reagan answered written questions about the Iran-Contra affair and let investigators read his personal diaries, but he did not testify while in office.

Clinton has not indicated that he would reject a request for an interview from Fiske. Last week, the special counsel said the White House had pledged to cooperate fully with his investigation.

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As legal scholars note, the legal issues posed by an interview of Clinton on the subject of Whitewater are much different than the issues that faced Nixon in Watergate and Reagan in Iran-Contra.

Fiske's inquiry, which focuses on the personal finances of Clinton before he was elected President, does not involve executive prerogatives or national security concerns that prevented prosecutors from questioning Nixon or Reagan.

In most investigations involving a President, there also is the predictable tension between the role of the independent investigator and the oversight function of Congress. In the Iran-Contra affair, the decision of a special congressional investigating committee to grant limited immunity to key figures in the case later undermined Walsh's ability to prosecute them.

In Walsh's final report on the scandal, issued last December, he asserted that the public good was served by the Iran-Contra congressional hearings, even though it made his task much harder.

"When a conflict between the oversight and prosecutorial roles develops . . . ," he wrote, "the law is clear that it is Congress that must prevail."

In recent weeks, Republicans in Congress, most of whom were previously critical of Walsh, have cited this quote as proof they should be conducting unfettered hearings into the Whitewater controversy. But the Democratic majority is resisting any congressional investigation of the matter.

In an interview, Walsh objected to Republicans using his quote to support their call for a congressional investigation of the Whitewater dealings.

He noted that Iran-Contra -- unlike Whitewater -- involved a direct standoff between the President and Congress. Reagan was accused of violating two restrictions imposed on him by Congress -- one limiting the sale of arms to foreign countries and the other banning aid to the Nicaraguan rebels.

"I see nothing in this case that suggests an ongoing confrontation with the Congress," Walsh said. "What is it about this case that is so urgent that Fiske cannot finish his job before they hold hearings?"

Dash, on the other hand, praised Fiske for proposing a compromise instead of simply opposing congressional hearings. The Whitewater special counsel has suggested that Congress can conduct hearings into the White House-Treasury Department meetings after he finishes his interviews with the participants.

Dash noted that Fiske, who was appointed by the executive branch, has no constitutional right to request a delay in congressional oversight hearings into activities of the executive branch.

Fiske's charter, drafted by Atty. Gen. Janet Reno, gives him wide latitude to investigate anything remotely relating to the Whitewater matter, and he has indicated through his actions so far that he intends to use that authority.

As a result, members of Congress are questioning whether Fiske can conclude his investigation within one year, as he has promised.

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Republicans are anxious that the fruits of his inquiry be made public before the next presidential election.

But Fiske is said to be confident that he can finish his investigation, prosecute any offenders and issue a final report long before the 1996 election.
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LEVEL 1 - 5 OF 54 ITEMS

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March 13, 1994, Sunday, Late Edition - Final

SECTION: Section 4; Page 6; Column 1; Week in Review Desk

LENGTH: 709 words

HEADLINE: THE NATION;
Untangling the Threads Of the Whitewater Affair

BYLINE: By STEPHEN ENGELBERG

DATELINE: WASHINGTON

BODY

WHITEWATER DEVELOPMENT COMPANY began in 1979 as a small investment between the Clintons and an Arkansas businessman. But in recent weeks, the name Whitewater has come to stand for a host of tangentially related issues, from the 1993 suicide of Deputy White House Counsel Vincent W. Foster to the propriety of the White House's contacts with regulatory agencies whose inquiries touched the Clintons.

As Robert B. Fiske Jr., the special counsel looking into the matter, took his first grand jury testimony from White House officials last week, nearly every aspect of the case remained shrouded in uncertainty.

This much is known for sure. In 1978, the Clintons bought 230 acres of land with James B. McDougal, an Arkansas businessman whose failing savings and loan, Madison Guaranty, later sought lenient treatment from state regulators. The parties believed they would earn quick profits. That didn't happen. And by 1985, as Whitewater was struggling to sell off its remaining lots, Hillary Rodham Clinton appeared before state officials on behalf of Madison Guaranty. Mrs. Clinton, a lawyer retained by the savings and loan, was asking regulators appointed by her husband to make a favorable ruling for her client, who was also the couple's business partner.

No evidence has emerged that the governor intervened to help Mr. McDougal, a longtime friend and former gubernatorial aide. But Madison remained in business despite considerable evidence of its shaky finances. Several years later, the institution collapsed with losses to taxpayers of more than $60 million.

Mr. Fiske, in his inquiry, is painstakingly reconstructing the savings and loan's tangled finances and is looking at a range of deals in Arkansas and beyond. One set of transactions that has already drawn attention stem from a fundraiser Mr. McDougal held in 1985 to help pay off a $50,000 bank loan taken out by the Clintons to finance Mr. Clinton's 1984 re-election bid. Even before Mr. Fiske's appointment, the Resolution Trust Corporation, the Federal agency that disposes of savings and loans, had obtained evidence that some of the approximately $35,000 raised by Mr. McDougal had been diverted from Madison. But present and former aides to Mr. Clinton vehemently insist the President had no

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role or knowledge of how Mr. McDougal raised the money.

The inquiry by R.T.C. investigators is itself the focal point of considerable confusion. Last fall, the agency prepared a detailed request for an investigation of possible criminal activity at Madison. The document, called a "criminal referral," suggested that the Clintons had been beneficiaries of possibly illegal transactions involving the campaign fundraising.

Even before the referral was sent to the Justice Department, the White House learned of its existence. In a news conference last week, Mr. Clinton acknowledged as much, saying he heard of the referral at some unspecified point last October. "It was just something I absorbed," Mr. Clinton said.

Conflicting Stories

In responding to Mr. Fiske's subpoena for documents about three White House sessions in which the R.T.C. action was discussed, the Administration came up with nearly 1,000 pages of material and a list of 30 to 40 contacts. Lloyd Cutler, the newly appointed special White House counsel, said the conversations would be shown to be inconsequential.

There are conflicting accounts about whether the Rose law firm, which once numbered among its partners Hillary Rodham Clinton, Associate Attorney General Webster Hubbell, and Mr. Foster, destroyed evidence possibly relevant to Mr. Fiske's inquiry. Two couriers at the firm said they shredded a box of documents from Mr. Foster's files, clearly identified with such labels as "VWF: Correspondence." But the firm's spokesman said that two lawyers and two clerks were prepared to testify that it was all a misunderstanding, that the box contained miscellaneous papers collected when a lawyer changed offices.

With subpoena power and two grand juries on call, Mr. Fiske has the means to resolve this and other conflicts. But he must operate as a prosecutor -- that is, in secret -- and so it is unclear when or how fully the public will share in the fruits of his investigation.

GRAPHIC: Photo: President Clinton shook hands last Tuesday with Lloyd N. Cutler, his new special counsel. (Paul Hosefros/The New York Times)

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LEVEL 1 - 6 OF 54 ITEMS

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March 13, 1994, Sunday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 1498 words

HEADLINE: Campaign Cowboys Still Learning to Tread Whitewater

SERIES: Occasional

BYLINE: Ann Devroy, Washington Post Staff Writer

BODY

A month after President Clinton took office, White House counsel Bernard Nussbaum set out in a memo to the staff severe restrictions on contacts they could have with government regulators. "Violations," the memo noted, "may result ... in significant embarrassment to the individual involved and the White House."

Five months later, contacts between White House officials and the FBI over the firing of the White House travel office staff were deemed "improper and insensitive to the appearance of White House influence" by an internal management review.

Now, three such contacts between Treasury Department officials and Clinton aides, including Nussbaum, involving the federal investigation of the president's and Hillary Rodham Clinton's ties to a failed Arkansas savings and loan have ensnared the White House in serious legal and political trouble.

Asked why this keeps happening, administration officials and political observers pointed once again to a Clinton White House culture still more attuned to the operating methods of a political campaign than to the rules of governing. The White House remains populated by few government veterans and many former campaign workers most comfortable with the campaign war room style of rapid and aggressive response to political threats.

Clinton campaign war room veteran George Stephanopoulos, now a senior adviser to the president, acknowledged last week that White House damage control efforts in response to inquiries about the Clintons' Whitewater land deal have caused more political and legal damage than they have controlled.

"A campaign is a campaign," said newly named White House counsel Lloyd Cutler in an interview. "Those are private people who are not part of the government set in a particular, peculiar situation.

"But now, you are the government of the United States. In a campaign, [strategist] James Carville could answer a question in a manner that was 75 percent correct and 25 percent incorrect and that would be fine. The next day in a campaign, you are on to something else. Now, you are the government, and the

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government got it wrong."

Another administration official put it more succinctly. "In a campaign, you can afford to be a cowboy, you're even expected to be a cowboy. In the White House, you have to keep your gun in the holster a lot of the time."

White House counselor David R. Gergen, like Cutler a veteran of previous administrations, said the grand jury subpoenas of White House and Treasury aides, the elaborate search for documents and Cutler's appointment last week served as a "wake up call" to a traumatized White House staff.

Many others make the case that the seriousness of the week's action has focused the White House the way no string of memos could. In an effort to convince the public that new rules are in place and will be taken seriously, Cutler will speak for the administration on today's Sunday news interview shows. Hillary Clinton, who remained mostly out of sight the past week, will reemerge this week in a business-as-usual schedule.

"We are still going to be explaining the past," said one official, referring to the Clintons' role in Whitewater, "but we are confident that this sort of thing in the White House won't happen again."

Others are not so sure. Said one administration official, "The campaign cowboy analogy goes only part way. This remains a building that lacks discipline. There is a sloppiness. A lack of seriousness. A group-grope quality where everyone rushes to one problem and gropes around for a solution while other problems pop up everywhere else."

White House officials contend that two of the three meetings between White House and Treasury officials now being investigated by Whitewater special counsel Robert B. Fiske Jr. were motivated by damage control. The other, they say, comes close.

In two separate criminal referrals, the last of which was forwarded on Oct. 8, the Resolution Trust Corp., an independent government agency that handles failed savings and loans, asked the Justice Department to conduct a criminal investigation into the collapse of Madison Guaranty Savings & Loan, a failure that cost taxpayers an estimated $ 60 million. The Arkansas thrift was owned during the mid-1980s by James McDougal, who was a business partner with the Clintons in the Whitewater Development Corp.

Without accusing them of any wrongdoing, the RTC named the Clintons as possible beneficiaries of Madison's illegal activities. Part of the investigation focused on checks written from and deposited in a Whitewater account at Madison. RTC investigators also found irregularities in a series of Madison cashier's checks written to the Clinton gubernatorial campaign.

The White House knew that the story of the RTC investigation was about to break when Jack DeVore, the Treasury Department's press secretary, arranged an Oct. 14 White House meeting. DeVore along with Treasury's chief of staff and general counsel met with White House communications director Mark Gearan, Nussbaum and Bruce Lindsey, a White House adviser whose longtime ties to Clinton made him the person most knowledgeable about the Clintons' personal finances.

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Participants who have described that session say it was devoted almost entirely to devising a White House response for reporters and deciding that Lindsey would be the spokesman on the matter.

When the story broke Oct. 31 in The Washington Post, the White House denied knowing of the RTC action and said it would have no comment.

White House spokesman Jeff Eller's statement to that effect was widely quoted. Lindsey had told The Post that weekend, as reporters were preparing the story, that he was aware of the referral only through press inquiries.

But the White House later acknowledged that the first of the three meetings Fiske is looking into occurred on Sept. 29, when Treasury general counsel Jean Hanson told Nussbaum of a criminal referral mentioning the Clintons. Nussbaum told Lindsey. RTC criminal referrals are secret, and White House officials now view that contact as the most serious breach of their internal rules. At the time it was revealed, a senior administration official described that Hanson-Nussbaum conversation as "the first Treasury heads-up," a tip-off from Treasury to the White House that a potentially damaging story was bearing down.

The final meeting, in February, was called by Deputy Treasury Secretary Roger C. Altman, who is heading the RTC on a temporary basis because Clinton has not nominated a permanent chairman. Altman has said he was giving the White House a "heads-up" on the process the RTC follows in civil, not criminal, cases.

Altman vehemently denies that the session was meant to warn the White House of a schedule that might potentially affect Hillary Clinton and her former law firm, whose representation of Madison is being reviewed by the RTC. Altman said the meeting showed poor judgment and was a terrible mistake but was intended only to keep the White House informed of potential trouble spots.

"Have a little heart here," said one adviser to the White House, who said his comments are based on "the theory that there is nothing further to these meetings."

"You got a bunch of people trying to protect the president and the White House. It is what all White Houses do or they don't survive."

But critics of the Clinton team say that the Whitewater defense operation fits a pattern of actions, large and small, that suggest inattention to the responsibilities of those who serve in government.

They point to reports of White House aides failing to perform required paperwork to get their passes and security clearances; of State Department aides last year retrieving personal files of Bush administration officials and leaking information about them to the press; of White House procedures in the days following the suicide of deputy White House counsel Vincent Foster that have led to questions about the integrity and thoroughness of the police investigation.

White House Chief of Staff Thomas F. "Mack" McLarty attributed many of the difficulties to the daily rush of problems that engulf the White House. "We had procedures put in place to ensure that White House people maintain the highest ethical standards," he said,

Added Cutler: "They just tended to get ignored in the pressure of time."

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"There is a special thing about the White House," said Cutler. "It is not like a new team at a business... . Everything, everybody changes when a new administration comes in... . People have no history of all working with one another. It takes awhile to learn to work together, to learn the rules and to learn the lessons of not following them."

How long should the Clinton team be given to make the transition from the campaign to the government? Cutler answered: "It ought to by the end of the first year." Now, with Clinton two months into his second year, Cutler said, "Certainly, certainly, we have room for improvement."

LANGUAGE: ENGLISH

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LEVEL 1 - 7 OF 54 ITEMS

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March 13, 1994, Sunday, Final Edition

SECTION: OUTLOOK; PAGE C5

LENGTH: 1111 words

HEADLINE: Nussbaum for the Defense;
The Legal Life and Times of the President's Former Counsel

SERIES: Occasional

BYLINE: Rita Henley Jensen

BODY

JUST FOR for the heck of it let's say that departing White House counsel Bernard W. Nussbaum is not stupid, clumsy or even politically tone deaf. After all, those who know him well say that in fact he is brilliant, ethical and savvy.

What then could he have been thinking as he searched the office of Vincent Foster on the weekend of his violent death with no law enforcement authorities present? Or when he was sitting in on interviews between Whitewater investigators and White House staff? Or when he was being briefed about the progress of the Whitewater investigation?

Nussbaum says he was only being a good lawyer, vigorously representing his client. Now, I am a fan of good, even zealous, lawyering. Why then did his actions seem, well . . . wrong to me? I called several leading New York and Washington attorneys but they were of little help -- they said they would have done just what Nussbaum did. They agreed, even the Republicans among them, that Nussbaum's only mistake was one of ignoring appearances in his aggressive attempt to do an excellent job.

I know that in many cases, the essence of good lawyering is maintaining your client's confidences. During the Foster office search, Nussbaum could have been simply checking to see that the Clintons' personal files were properly transferred to the Clintons' new lawyer. Another hallmark of excellent lawsmithing is finding out as soon as possible what problems could be facing your client. Hence, Nussbaum may have wanted to see for himself if there was a Whitewater smoking gun in Foster's briefcase and then inform his client. Maybe it would have been wiser for the Park Police to have been present and at least make notes of which files were in the office and which ones were removed, but was it strictly required?

And maybe during the interviews and the briefings, Nussbaum was earnestly seeking information about who was saying what to the investigators so that his client might better cooperate -- sort of a time-saving device.

Put another way, Nussbaum seized the moment.

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I would buy all of that -- except that Nussbaum's explanation sounds exactly like those arguments advanced on behalf of one of his previous clients, a law firm with connections to a failed savings and loan.

In March 1992, Nussbaum signed on to defend Kaye, Scholer, Fierman, Hays & Handler -- a large, prosperous and well-regarded law firm based in New York -- against charges brought by federal banking authorities. Kaye Scholer had done $ 10 million in work in the late 1980s for either Charles Keating Jr. or the thrift he owned, Lincoln Savings & Loan, or both (depending on whom you asked and when you asked it). The work had been supervised by Kaye Scholer's then-managing partner Peter M. Fishbein and had come back to haunt Fishbein and the firm; regulators were demanding a payback.

From 1987 until Lincoln was taken over by federal banking authorities in 1989, Fishbein and others in the firm, master litigators by all accounts, had stiff-armed the government bank examiners. They told the regulators that all requests for information about Lincoln's operations had to go through the firm. But Kaye Scholer attorneys did more than that -- according to federal regulators' allegations. They sent one memo in 1987 to federal banking regulators that went so far as to say this:

"In making real estate loans, Lincoln has always undertaken very careful and thorough procedures to analyze the collateral and the borrower. What is unusual about Lincoln's underwriting is its particular emphasis on, and the thoroughness of, its underwriting of the collateral . . . although, at times, its 'paper trail' has been incomplete."

This was said even though the firm had information quite to the contrary, according to the government's later allegations. In fact, the banking agency's notice of charges quoted what it said was a 1986 Kaye Scholer memo that said the thrift's loan files "ran the spectrum from disaster to non-existent."

The firm did not lie to the government, Nussbaum would argue later in an American Lawyer roundtable discussion of the case. "It did nothing wrong," he was quoted as saying, "and acted properly as any lawyer would have acted under the circumstances." In other words, the memo and its other actions on behalf of Keating were nothing more than Kaye Scholer's modest attempt to provide its client the type of zealous advocacy required by ethics rules. Not everyone thought so. Nussbaum persuaded Fishbein and the firm to settle for $ 41 million in restitution and to agree that Fishbein be barred from practicing before federal banking regulators.

However, as time passed, supporters of Fishbein and the firm would come to argue that for Kaye Scholer to have done anything other than what it did would be tantamount to its becoming a government stool pigeon. And the vast majority of the organized bar seemed to agree. In fact, the New York Bar Association this year, in an extremely rare move, officially vindicated Fishbein's position.

No one has suggested that any shenanigans -- if in fact there were any -- at Madison Guaranty Savings and Loan or Whitewater Development Co. even remotely approach what was going on at Lincoln. And Nussbaum's connection to Whitewater appears to be long after the fact. Yet it is discomfiting that Nussbaum is

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taking a position similar to that of Kaye Scholer by writing to President Clinton that his unhappy departure is being caused by those who "do not understand, nor wish to understand the role and obligation of a lawyer."

Perhaps it is true that those of us outside the profession just don't know good lawyering when we see it. We know the essence of zealous advocacy is the use of boldness and knowledge to head off problems. We also know, however, that too often members of the bar believe that their license to practice law is a permit to throw their weight around, to obfuscate, to push the envelope of what they and their clients can get by with, and the difference between the two is not always a bright line.

We also might wish that Kaye Scholer had thought part of its obligation was to protect investors from the likes of Keating before the losses mounted to $ 2.5 billion. And we might hope that Nussbaum, with the nation watching, might have acted as if he had an obligation to his client's constituency to act as a paragon of fair play: to step back, to second-guess his take-no-prisoners litigation instincts and to serve the interests of justice. For that, in the end, is in the best interests of his client.

Rita Jensen, a former senior writer at the National Law Journal, is an Alicia Patterson fellow.

GRAPHIC: ILLUSTRATION, DAN YACCARINO FOR TWP

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 11, 1994

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LEVEL 1 - 8 OF 54 ITEMS

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The Washington Times

March 13, 1994, Sunday, Final Edition

SECTION: Part A; Pg. A14

LENGTH: 714 words

HEADLINE: D'Amato urges Clinton to fire 2, denies he's seeking a 'payback'

BYLINE: Joyce Price; THE WASHINGTON TIMES

BODY

Sen. Alfonse M. D'Amato said yesterday that Senate Republicans will block administration appointments if Democrats block congressional hearings into the Whitewater-Madison affair.

Mr. D'Amato, a New York Republican who has often called for hearings, also said two administration officials - Deputy Treasury Secretary Roger C. Altman and Treasury General Counsel Jean Hanson - should be fired for briefing White House aides on a Resolution Trust Corp. (RTC) inquiry in which President Clinton was named.

In Senate testimony last month, Mr. Altman, who is also interim head of the RTC, disclosed that he briefed White House officials about the RTC's investigation of Madison Guaranty Savings and Loan Association, the failed thrift linked to the Clintons.

Mr. Altman "absolutely should be fired" because "he was not truthful with us" about the number of contacts he had with White House officials, Mr. D'Amato, New York Republican, said on CNN's "Evans and Novak."

"The fact is that he had previous contacts. He corrected his testimony on two occasions and failed to mention them. Secondly . . . Jean Hanson definitely should be fired. She had numerous contacts. She should know better. She's the counsel," said Mr. D'Amato, ranking Republican on the Senate Banking Committee.

Mr. Altman and Ms. Hanson are among the 10 former and current Clinton administration officials who have been subpoenaed by special counsel Robert B. Fiske Jr. to testify about the briefings.

In a separate appearance on the CNN program, Sen. John B. Breaux, Louisiana Democrat, said there should be congressional hearings but not until Mr. Fiske completes his inquiry.

"This is a criminal investigation. Don't let Congress mess it up," Mr. Breaux said.

Congressional Republicans such as Mr. D'Amato and Senate Minority Leader

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Bob Dole of Kansas have rejected such a delay, arguing that no one knows how long it will take Mr. Fiske to complete his investigation.

Yesterday, Mr. D'Amato dismissed reports that Republicans would filibuster on major legislation, such as the crime bill or health care reform, if they are not allowed to begin hearings into Whitewater by June 1.

"I think we'll do everything we can to try to get those hearings, but we will not hold up necessary legislation," he said. "We will stop appointments, for example, to the agencies in question . . . but not filibusters as it relates to important legislation."

He also made it clear that Republicans will force a vote on holding hearings "if we continue to be stonewalled by the Democrats."

Mr. D'Amato said public opinion supports his calls for congressional inquiries. Constituents are backing his efforts by a margin of 2 to 1, he said.

Moreover, he denied suggestions by some critics that his campaign for hearings on Whitewater-Madison amount to a "payback" for investigations conducted into some of his past activities.

"That's silly," the GOP senator said. "The fact is, what I have been attempting to do is to get the facts. . . . It has nothing to do with payback."

If the Senate does hold hearings on Whitewater-Madison, Mr. D'Amato said he would not rule out the possibility of calling on first lady Hillary Rodham Clinton to testify.

"I do believe that Mrs. Clinton should be and will be held accountable, as anyone else who exercises great power in government," he said. "And she does exercise great power in this government. Let's not kid ourselves."

But he said the special counsel should have the opportunity to talk to the Clintons before any congressional panel does.

Both Mr. D'Amato and Mr. Breaux said they believe Mrs. Clinton's popularity has suffered as a result of Whitewater-Madison.

But Mr. Breaux said he does not believe it will affect her ability to continue as the White House leader on health care and that she should not be replaced in that position.

Mr. D'Amato said there has been "some damage" to the first lady's influence, but he refused to say if he believes she may be forced out of her role in health care over Whitewater-Madison. "That's a judgment she and the president have got to make," he said.

GRAPHIC: Photo, Sen. Alfonse D'Amato pushed harder for hearings.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 13, 1994

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LEVEL 1 - 9 OF 54 ITEMS

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The Washington Times

March 13, 1994, Sunday, Final Edition

SECTION: Part D; ARTS; MOVIES; Pg. D1

LENGTH: 1299 words

HEADLINE: Haunting lines connect 'Firm' to Whitewater

BYLINE: Gary Arnold; THE WASHINGTON TIMES

BODY

The People's Choice Awards may need to survive a few more decades to rival the prestige once enjoyed by the annual Photoplay or Look Magazine awards. Nevertheless, I was surprised and intrigued when the movie version of "The Firm" out-polled all comers as the most popular dramatic film of 1993.

Why surprised? Because "The Firm" was the respectable Hollywood picture shortchanged most conspicuously in preliminary balloting for the Academy Awards. With the imposing exception of "Schindler's List," the strongest Hollywood movie of 1993 was "The Firm."

It certainly deserved nominations that failed to materialize in several major categories, so I was gratified to see an irksome Oscar oversight corrected from an unexpected, nonpro quarter.

Not that the movie's popularity had ever been in doubt. It was the third biggest blockbuster thriller of the summer, outdrawn by only "Jurassic Park" and "The Fugitive."

Moreover, I had seen the movie with three different full houses in three different theaters and could testify to its consistently gripping effect.

People in the movie community are often weirdly oblivious to Hollywood professionalism when it stares them in the face; they often prefer polemical pretension and hysteria in some exotic guise, such as the overwrought "In the Name of the Father" from the British Isles.

Why intrigued? Because I'd taken a look at "The Firm" on video recently and noticed something different about the movie. A supplementary topical dimension has emerged to enhance the movie's melodramatic interest. As an unintended consequence of the Clinton administration's Whitewater woes, "The Firm" has acquired fresh fascination.

It now looks like a possibly historic fable about how to elude a compromising and potentially ruinous association with a law firm where, shall we say, skeletons have begun to crowd the closets.

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The Washington Times, March 13, 1994

As if they don't hear gathering, echoing footsteps from several directions, the president and first lady may now find themselves haunted, indefinitely, by curious points of convergence between the fictional plot of "The Firm" and the tangled web of suspicion and conjecture that link Madison Guaranty Savings, the Whitewater Development Corp., the Rose Law Firm and the tragic death of Rose partner and Clinton intimate Vincent Foster.

The clincher would be evidence of foul play in Foster's death, adding a grisly criminal twist to the real-life mystery.

The first obvious change is the connotation of the title itself. "The Firm" now brings to mind not Bendini, Lambert & Locke, the sinister Memphis law firm that imperiled its youngest associate, Mitch McDeere, portrayed in Sydney Pollack's admirable movie version by Tom Cruise. The term is now synomous with the Rose Law Firm of Little Rock, formerly adorned by Hillary Rodham Clinton.

Let me hasten to explain that I am not equating the infamous and fictitious Bendini - revealed to be a Mafia front by FBI agents who attempt to recruit Mitch as an informant - with the real and legit but now eminently notorious Rose. It has simply happened. Say "The Firm" now and Rose springs to mind faster than Bendini.

The association would have had no currency outside Little Rock when the John Grisham best seller was new in 1991. It wasn't a foregone conclusion when the movie was in theatrical circulation last summer and fall, even though the Rose Law Firm had become a recognizable name to the public at large. Things are different as of March 1994.

The billings parallel surfaced only a week ago. The publication in The Washington Times of billing records from Webster Hubbell, the third-ranking official at the Justice Department, while apparently toiling on a Madison Guaranty case in his Rose days couldn't help but startle confirmed moviegoers. All those hourly totals adding up to a $[illegible],000 fee. Inevitably, the list resembled some of the documentation invented for the movie.

In tinkering with the plot of the novel, screenwriters Robert Towne and David Rayfiel had introduced the billings issue as a tactical weapon for hero Mitch McDeere. Struggling to extricate himself from the Bendini mess (and escape Bendini execution) without becoming a government snitch, resigned to a lifetime in hiding, Mitch realizes that Bendini has been overbilling clients systematically. He hoards evidence of this cavalier malpractice as part of an elaborate getaway scheme.

The pivotal line of the movie was entrusted to Steven Hill as Voyles, the Justice Department official who puts Mitch's limited options in stark relief: "Your life as you know it is over." In the context of the film that blunt statement meant the following: Agree to cooperate with the feds or go down with the Bendini ship when we torpedo it.

The real-life connotations for anyone at risk of disgrace or prosecution as a result of the Whitewater probes will be just as ominous. The lives they knew will be radically altered.

Power brokers and Bright Young Assistants will need all their ingenuity and

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tenacity in self-defense. More power to them if they can escape calamity as astutely and honorably as the Mitch in the film, whose line of defense was considerably improved by screenwriters Towne and Rayfiel; the movie Mitch is permitted several heroic alternatives to the mercenary slipperiness of Mr. Grisham's literary Mitch.

I would guess that the trust Tom Cruise's Mitch decides to place in the law, despite finding himself at severe legal risk, might stand some Whitewater principals in good stead. "It's strange," he confides to his superb wife, Abby, played by Jeanne Tripplehorn, "but if we follow the law, it just might save us."

This is one of several lines that register with disarming impact in the movie, and I recommend its wisdom to anyone caught up in serious trouble.

There were certain moments in the movie that evoked something that passed between Hillary and Bill Clinton during the inaugural festivities. I can't remember exactly what the occasion was, but the first lady whispered something in her husband's ear while millions of us were watching.

Assuming you value the marital bond and had no particular reason to wish misfortune on the Clintons, it was satisfying to imagine that her confidence might have anticipated the stirring reconciliation scene at the conclusion of "The Firm," when Abby assures Mitch that he's kept his trust and their marriage is whole again.

Totally presumptuous, of course, but it felt nice to feel that way about the first couple. The parallels are spotty, of course. In actuality it's the wife rather than the husband who has a Curse of the Firm to finesse or transcend.

A memorable whisper is exchanged between Mitch and Abby in the film, but in this case it's him warning her that Bendini has bugged their Firm-financed and furnished home. It would be creepy if this kind of whispering had to become commonplace in the White House for the duration of the Whitewater investigations.

However, if you're a movie person, it's difficult to resist the impression that the Clintons' reputation may hinge on which McDeeres they end up resembling most when this controversy and its mysteries are resolved. Will it be the fundamentally mercenary, self-serving McDeeres imagined by novelist Grisham or the fundamentally honest, gallant McDeeres portrayed by Tom Cruise and Jeanne Tripplehorn?

It's a pretty clear-cut choice in ethical and sentimental terms. I'll be interested in seeing how this plot turns out, but I suspect that "The Firm" can already be relied upon as a suggestive, indispensable blueprint.

GRAPHIC: Graphic, Tom Cruise runs for dear life in "The Firm" ; Photos, A & B) Jeanne Tripplehorn and Tom Cruise in "The Firm"; Bill and Hillary Clinton. As an unintended consequence of the Whitewater woes, "The Firm" has acquired fresh fascination.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 13, 1994

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LEVEL 1 - 10 OF 54 ITEMS

Copyright 1994 Chicago Tribune Company
Chicago Tribune

March 13, 1994 Sunday, FINAL EDITION

SECTION: NEWS; Pg. 3; ZONE: C

LENGTH: 658 words

HEADLINE: CLINTON EXASPERATED BY WHITEWATER FOCUS

BYLINE: From Tribune Wires.

DATELINE: WASHINGTON

BODY

President Clinton angrily denounced the news media Saturday for holding him to what he charged is an unfair standard of accountability and presuming him guilty without proof in the Whitewater affair.

"There has been a convergence of the way the press has handled this and the way the Republicans have tried to manipulate it," the president charged in an Oval Office interview with Knight-Ridder Newspapers.

Clinton sat calmly and talked quietly for 15 minutes about an international jobs conference he is sponsoring Sunday in Detroit, but there was a sharp change in his bearing at the first question about the controversy over the Arkansas land development deal.

Shifting to the edge of his seat, visibly agitated and eyes bulging, the president wagged his finger in admonishment at two reporters and unleashed a rising torrent of complaint.

The news media is in a "frenzy" over Whitewater, making unreasonable demands, distorting the truth and fomenting dangerous public cynicism about government, he complained.

"I've never been in an environment in my life where you were presumed guilty until you were proved innocent," Clinton said. "It's just bizarre."

As he stood to end the interview, Clinton was asked if he would make public his tax returns from 1978 and 1979, which could reveal information about his investment in the Whitewater real estate deal in Arkansas at the root of the current controversy.

His face reddened in anger as Clinton argued that he has given all relevant financial records to Special Counsel Robert Fiske and that legal procedure now prohibits him from releasing the records to the public.

The president complained bitterly that there is no evidence that he did anything wrong, "not one credible charge. The burden is always on us, and I have discharged that burden. I have a special counsel, and I am trying to let that

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person do his job. And I wish the American news media would, and let us go back to the work of being president.

"The press and the Republicans insisted on a special counsel in the absence, for the first time in history, in the absence of one single, solitary shred of evidence that any law had been violated," Clinton said.

The Whitewater controversy stems from a 1978 investment the Clintons made in the Whitewater Development Corp., an Arkansas land company. Their partner in the investment, James McDougal, later took over a state-regulated savings and loan, Madison Guaranty.

Both Whitewater and Madison Guaranty failed. But a tangle of legal and ethical questions dog both Clintons arising from their connections to the two ventures.

Meanwhile Saturday, Hillary Rodham Clinton, in her first detailed comments on Whitewater, acknowledged she had made mistakes in her handling of the controversial land deal.

"Clearly there were lots of missteps along the way. I'd be the first to say that-and obviously I wish there weren't because this thing has gotten blown so out of proportion," the first lady told Newsweek in an interview made partially available Saturday.

"I never would have participated in the investment in the first place. I would have tried to get everybody to focus on it sooner and earlier to try to deal with (it). Of course I made mistakes."

Mrs. Clinton said she hoped Fiske would proceed swiftly with his probe of the affair so that national priorities can be re-established.

She told Time magazine in a separate interview that she and the president had discovered during the 1992 campaign that they had underpaid their taxes on the land deal but said the back taxes had been paid.

"We should never have made the investment (in Whitewater) . . . the other big mistake that I made was not appreciating how other people view this when I knew we had everything we knew to make good on obligations, like paying property taxes and other things to try to be as careful as possible. So yes, we made made lots of mistakes."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 13, 1994

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LEVEL 1 - 14 OF 54 ITEMS

The Associated Press

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March 12, 1994, Saturday, AM cycle

SECTION: Washington Dateline

LENGTH: 654 words

HEADLINE: Mrs. Clinton Admits Missteps In Explaining Whitewater

BYLINE: By H. JOSEF HEBERT, Associated Press Writer

DATELINE: WASHINGTON

BODY

First Lady Hillary Rodham Clinton acknowledged Saturday "a lot of missteps" in the handling of the Whitewater affair and, in part, blamed her desire for privacy for the matter not being explained earlier and more fully.

"Of course I made mistakes," Mrs. Clinton said in an interview with Newsweek Magazine, discussing the handling of the controversy over the Arkansas land development deal.

Mrs. Clinton said that "this thing has gotten blown so out of proportion" and that she regretted not recognizing sooner that journalists would pursue the matter if details were not provided.

In a separate interview with Time Magazine, Mrs. Clinton said, "We made lots of mistakes. We never should have made the investment, for one." She said another mistakes was "not appreciating how other people view" the controversy.

Until the interviews with the two news magazines late Saturday, Mrs. Clinton, whose role in Whitewater has come under increasing scrutiny, has had little public comment on the matter.

New public opinion polls suggested Saturday that Whitewater has affected how Americans view the first lady.

A new CBS-New York Times poll said 27 percent had an unfavorable view of Mrs. Clinton, compared to 23 percent a month ago. A Newsweek poll also found that Mrs. Clinton's unfavorable rating climbed to 42 percent from 29 percent in February. Meanwhile, a Time-CNN poll said half the people still consider her more ethical than most politicians.

Mrs. Clinton was involved in the Whitewater land deal in the 1970s both by managing her family's financial affairs and as an Arkansas attorney who represented Madison Guaranty Savings and Loan, which had ties to Whitewater.

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She also reportedly resisted giving Whitewater files to federal investigators and argued against the appointment of a special counsel to probe the matter.

"Clearly there were lots of missteps along the way. I'd be the first to say that," Mrs. Clinton told Newsweek.

She attributed her failure to respond more fully to Whitewater to not "understanding why (journalists) were pursing what to me seems so insignificant" a matter and said she regretted not focusing on it earlier "to try to deal with it."

Mrs. Clinton told the magazine that "I get my back up every so often" about having to answer questions she believes have no connection with her husband's public life. She suggested that also played a part in mistakes made in connection with responding to Whitewater.

"I really have been pulled kicking and screaming to the conclusion that if you choose to run for public office you give up any zone of privacy at all," she said in the Newsweek interview.

The White House has been considering various ways for the president and Mrs. Clinton to get their side of the Whitewater story out. One option was for the president and his wife to make a joint television appearance to try to put Whitewater questions to rest. Instead, they opted for Mrs. Clinton's talk with the news magazines.

Until the interviews, Mrs. Clinton had made few detailed public comments about Whitewater.

In a March 4 interview with Elle magazine, she accused critics of mounting a "well-organized and well-financed attempt" to undermine the Clintons and their policies.

"They have yet to come forward with anything other than the wildest kind of paranoid conspiracies," she said in that interview.

Her public comments, however, were unlikely to silence her critics, including Republicans calling for congressional hearings where the witnesses could include the first lady.

Sen. Alfonse D'Amato, R-N.Y., told CNN's "Evans and Novak" on Saturday that at this time he thought it not appropriate to call Mrs. Clinton before Congress.

But he added, "I do believe that Mrs. Clinton should be and will be held accountable, as anyone else who exercises great power in government. And she does exercise great power in this government. Let's not kid ourselves."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 13, 1994

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LEVEL 1 - 15 OF 54 ITEMS

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The Houston Chronicle

March 12, 1994, Saturday, 2 STAR Edition

SECTION: A; Pg. 17

LENGTH: 886 words

HEADLINE: RTC office muzzled by White House, GOP leader charges; Leach details accusations in memo

BYLINE: NANCY MATHIS, Houston Chronicle Washington Bureau, GREG McDONALD; Staff

DATELINE: WASHINGTON

BODY

WASHINGTON -- A key Republican charged Friday that the Clinton administration has ""gagged and possibly coerced'' the regional thrift office responsible for investigating a failed Arkansas savings and loan with ties to the president.

Iowa Rep. Jim Leach, the senior Republican on the House banking committee, did not provide public proof of his accusations.

He urged special counsel Robert Fiske to direct his investigation to the Kansas City regional office of the Resolution Trust Corp., the branch responsible for the Arkansas inquiry.

Leach on Friday released a four-page letter to Fiske complaining that the special prosecutor was undercutting Congress' ability to hold hearings on the Whitewater affair and questioned whether the White House was ""very responsive and cooperative'' as Fiske claimed.

""I am particularly concerned that officials of the Kansas City RTC office are being gagged and possibly coerced by the Washington RTC office,'' Leach wrote to Fiske. He repeatedly declined to specify what actions by the RTC's Washington headquarters prompted his concern but said the allegations were detailed in a confidential memorandum to Fiske.

A spokesman at the Treasury Department, which oversees the RTC, declined to comment on Leach's allegation.

The Kansas City RTC office twice initiated investigations into Madison Guaranty Savings and Loan. Madison's owner, James McDougal, also was a partner with Bill and Hillary Rodham Clinton in the Whitewater Development Corp., a real estate project in Arkansas.

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Fiske was appointed to investigate allegations that Madison funds were diverted to Whitewater and to Clinton's campaign for Arkansas governor.

There have been no allegations of criminal wrongdoing against the president or his wife.

Leach, who released the letter during a breakfast meeting with reporters, urged Fiske to immediately subpoena individuals and documents in the Kansas City office.

The moderate Republican has pressed for congressional hearings into the Whitewater affair and indicated that Republicans would attempt to ask Madison-related questions during an RTC oversight hearing on March 24.

""I want the special counsel and have invited the special counsel to interview and put under subpoena the Kansas City office before someone else does,'' Leach said. He confirmed that the midlevel RTC investigators he requested as witnesses for the March 24 hearing are all based in Kansas City.

Rep. Henry B.Gonzalez, D-San Antonio, the banking panel chairman, has said he would rule all Madison-Whitewater questions out of order during the March 24 hearing.

Leach said Fiske has had a list of those witnesses for nearly three weeks without subpoenaing the Kansas City officials. ""If I were to make suggestions, Kansas City is a higher priority than Washington (where a grand jury is probing the White House contacts with Treasury officials) at this time,'' Leach said.

The RTC's acting director is Roger Altman, the deputy Treasury secretary, who gave White House officials a ""heads up'' about the investigation into the failed thrift and sparked a controversy that resulted in Fiske issuing subpoenas for 10 current and former White House and Treasury officials.

The Treasury Department on Friday turned over 3,200 documents to a grand jury investigating those meetings. The grand jury, which heard testimony from three White House officials Thursday, will take more testimony next week.

Leach's letter also complained that Fiske's objections to congressional hearings were allowing Democrats and White House officials to avoid questions.

He cited Treasury Secretary Lloyd Bentsen's refusal to answer when asked during a House subcommittee hearing Thursday whether he had prior knowledge of questionable meetings between senior White House aides and Treasury officials. The Treasury officials briefed the White House aides on the status of the RTC investigation into the savings and loan.

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""On advice of Mr. Fiske, the special counsel, I refuse to answer,'' Bentsen said.

The Treasury secretary had issued a statement March 3, during the public disclosure of the meetings that included top Bentsen aides, that said, ""I did not attend any of these meetings, nor was I informed of any of these meetings. ''

On Friday, Bentsen was asked the same question and again demurred: ""We have a situation here where the special counsel has asked us not to try this in public and do anything that might interfere with his process, and we're trying to make certain that we comply with that. ''

The Washington Post in January reported that the RTC twice made referrals to the Justice Department for a criminal investigation because it had not been informed of decisions by both Bush and Clinton officials in late 1992 and early 1993 that the initial case lacked merit to pursue.

The initial referral named the Clintons and other political figures as principals in ""shell corporations'' created by McDougal. They were named as potential witnesses. The second, more in-depth, referral suggested they were possible beneficiaries of misspent Madison funds.

The Washington Post reported there were differences of opinion over whether the Clintons should be named in the second referral.

GRAPHIC: Mug: Jim Leach

LANGUAGE: ENGLISH

NOTES: Chronicle reporter Greg McDonald contributed to this story.

LOAD-DATE-MDC: March 14, 1994

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LEVEL 1 - 16 OF 54 ITEMS

Copyright 1994 The Houston Chronicle Publishing Company
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March 12, 1994, Saturday, 2 STAR Edition

SECTION: A; Pg. 19

LENGTH: 331 words

HEADLINE: Clintons to discuss Whitewater

BYLINE: PAUL RICHTER, JACK NELSON; Los Angeles Times

DATELINE: WASHINGTON

BODY

WASHINGTON -- Amid mounting calls for first lady Hillary Rodham Clinton to speak out on Whitewater, the White House made plans Friday for her and President Clinton to appear on at least one prime-time television news magazine show next week.

Hillary Clinton has remained consistently silent on the Whitewater issue, and White House aides were split in the past two days on the wisdom of appearances that would generate new headlines even if they succeeded in mollifying some critics. ""Everybody here has had a slightly different view on it,'' one senior official said.

Ultimately, however, the prevailing view was that, to be effective, the White House's new strategy of openness on the subject of Whitewater could not stop with only the president's explanation.

The planning for the television appearances was among several developments Friday.

The Treasury Department surrendered 3,700 pages of subpoenaed documents describing contacts with the White House and other federal agencies regarding the investigation of the Whitewater affair.

While officials sought to minimize the importance of the records culled from Treasury files, the sheer volume of them -- more than three times what the White House surrendered Thursday -- appeared to indicate that questionable contacts between regulatory officials and White House aides occurred over an extended period and involved large numbers of people.

Madison Guaranty Savings & Loan is at the heart of the so-called Whitewater affair.

The thrift was owned by James B. McDougal, who, along with his wife, Susan, was a partner with the Clintons in the Whitewater

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Development Corp., which was established in the late 1970s to build a resort community in the Ozarks.

Federal investigators are trying to determine whether the Clintons received improper loans from McDougal, whose thrift later failed and was taken over by the Resolution Trust Corp. as part of the federal savings and loan bailout.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 14, 1994

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LEVEL 1 - 17 OF 54 ITEMS

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March 12, 1994, Saturday, 2 STAR Edition

SECTION: A; Pg. 20

LENGTH: 1331 words

HEADLINE: First lady risks losing moral authority in Whitewater

BYLINE: STEVE GOLDSTEIN; Knight-Ridder Newspapers

DATELINE: WASHINGTON

BODY

WASHINGTON -- Suspicion has sullied Caesar's wife.

Having survived abuse for her headbands and charges of being a shrewish harridan, Hillary Rodham Clinton emerged last year with a hard-won reputation for dedication and honesty.

Since then she's been all but canonized by a liberal segment of the American public (and media) as mother-and-lawyer superior.

But in the last few days, the first lady has undergone an unwanted make-over: the Unaccountable Clinton.

By all available evidence deeply involved in the Whitewater rumpus as investor-lawyer-adviser, Clinton has been kneecapped on the thing she thought was unassailable: her integrity. She has no official position from which to confront her critics -- but neither does she have a position to relinquish.

Once, she was indispensable. Now, as the president's wife, she is unable to be dispensed with.

With Whitewater's whirlpool sucking close friends and associates into the controversy, Clinton has stayed aloof from her critics despite the embarrassing pile of questions dumped at her feet. Nobler, nonpartisan motives -- like staying focused on health care -- are her guide, she says.

Yet, in her desire to be co-statesperson without being co-politician, Clinton risks losing the aura of moral authority that has made her such an attractive leader.

Her hubris is showing.

""If she were another person unrelated to the president, who had served in the same positions -- business, legal representation -- she would be a legitimate figure for questioning,'' Sen. Bob

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Graham of Florida, a prominent Democrat, said last week. ""I think she needs to be a part of this openness. ''

""In her case -- in both of their cases -- one sees a certain moral arrogance and self-righteousness that doesn't fit with their deeds,'' said arch-Republican William Kristol, who served as Dan Quayle's chief of staff.

University of Pennsylvania Law School Professor Lani Guinier, an old friend of both Clintons who knows the pain of a public ordeal in Washington, said women and power provoke strong emotions.

""We are both attracted to power and repulsed by it,'' Guinier said. ""We're not used to seeing women exercise power and, since it's unfamiliar, it's scary. ''

""She's not scary,'' argued Kristol. ""She just may not be honest. ''

What she definitely is, is involved. Both Clintons were partners in the Arkansas real estate venture known as the Whitewater Development Corp., along with the owner of Madison Guaranty Savings & Loan. As a lawyer and the governor's wife, Clinton also represented Madison before state regulators in an attempt to extend the life of the failing thrift. She was a partner in the Rose Law Firm of Little Rock, Ark., which later was hired by the state government to sue Madison's auditors.

The week began badly with the resignation of White House Counsel Bernard Nussbaum -- an old friend of Hillary Clinton from the Nixon-era House impeachment committee, of all things. (Another close friend and former law partner of Hillary Clinton was Vincent Foster, possibly the most serious casualty of Whitewater, who police believe committed suicide last July.)

On Wednesday, Graham called on the first lady to hold a news conference. On Thursday, the day her chief of staff and press secretary appeared before a federal grand jury in Washington to account for Whitewater meetings with Treasury officials, Clinton hunkered down and went about her business.

""I'm not going to be deterred (by Whitewater),'' she told aides. ""I don't want to get bogged down. ''
Instead, as she had done the day before, she went to Capitol Hill for a health care meeting. During an hourlong session with some 40 members of Congress, she was ""engaged, very upbeat about the progress and pace of activity in the House,'' said a participant.

""She's not underground,'' said Neel Lattimore, Hillary Clinton's spokesman. ""She's really focused on health care. She's not stewing about Whitewater. She regards this all as politics as usual, a way of getting to her husband. '' Clinton even took time during the week to jokingly chide Lattimore for describing the newly fired White House chef, a master of French cuisine, as having

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made ""great pizza. ''

What, she worry?

As Clinton strode through the West Wing Thursday in a purple power suit, she ran into an old friend from Arkansas.

""How are you doing? '' she said, smiling.

""The question is, how are you doing? '' said the friend.

""I'm fine, really,'' Clinton replied.

The friend complimented the first lady on her suit, and they chatted.

""She's a strong person, and she's had a lot of criticism,'' the friend said later. ""She's learned to take it with balance, poise and grace.

""People shouldn't interpret that as not defending herself. ''

To date, Clinton has spoken of Whitewater only in a yet-unpublished interview in Elle magazine.

She described the controversy, in an excerpt, as ""a well-organized and well-financed attempt to undermine my husband, and by extension, myself, by people who have a different political agenda or have another personal and financial reason for attacking us. ''

It is true that Republicans have long tried to demonize Clinton, comparing her to Eva Peron, Lady Macbeth, Winnie Mandela and the Glenn Close character in Fatal Attraction. Her health care plan is ""socialized medicine,'' GOP critics have said, part of a ""radical feminist agenda. ''

""We've seen all of this before, at the 1992 Republican convention,'' said an attorney friend of Clinton. ""They deliver a partisan message that Hillary Clinton is scary. They assume that since she reversed the roles in her own marriage that she's seeking to reverse roles in other marriages. ''

But something more than anti-feminism may be at work.

Contrasting with a National Organization for Women White House demonstration in support of Clinton recently was a flood of media criticism. The New York Post ran a front-page headline: ""Bill: Hillary Is Not A Crook. '' In the Miami Herald, cartoonist Jim Morin drew the Clintons at dinner, with Hillary saying: ""I dare you to ask me for my resignation. ''
A USA Today-CNN-Gallup Poll taken last week found that 18 percent of 1,023 adults thought Clinton had done something illegal, and 38 percent thought she had done something that probably was

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unethical, but not illegal.

Private White House polls show Clinton's public approval rating has fallen below that of her husband's for the first time since his election. Both ratings are 55 to 60 percent, according to the Los Angeles Times.

Here is the Vietnam and Watergate generation all grown into power, and they are keeping secrets.

""The generational aspect is at least as strong as the gender aspect,'' asserted Kristol. ""There's been a lot of moral posturing from the Clintons, but are they cutting corners?

""Maybe Mrs. Clinton would like to answer questions in a more controlled forum,'' he said. ""But in her position, you can run, but you can't hide. ''

Throughout her tenure, Clinton has tried to control access even in open events. In crafting the health care plan with working groups behind closed doors, she successfully fought legal action to open them, contending she is a private citizen, not a federal employee.

Health policy guru Ira Magaziner later conceded the secrecy was a mistake. Clinton has said no such thing. For now, Clinton has it both ways. She is a key player, a private person and an official with limited accountability. She is making it up as she goes along.

""There are very few templates out there for women trying to share policy,'' said Rep. Marjorie Margolies-Mezvinsky, D-Pa.

As with many highly intelligent people, Clinton is convinced she is right. And Whitewater may be all froth and little below the surface.

But a ""moral compass'' is not the only tool for finding the truth.

GRAPHIC: Photo: Hillary Clinton; Chronicle files

LANGUAGE: ENGLISH

TYPE: Analysis

LOAD-DATE-MDC: March 14, 1994

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LEVEL 1 - 18 OF 54 ITEMS

Copyright 1994 The Times Mirror Company
Los Angeles Times

March 12, 1994, Saturday, Home Edition

SECTION: Part A; Page 18; Column 4; National Desk

LENGTH: 1429 words

HEADLINE: KEY WHITEWATER FIGURE TO COME FORWARD;
PROBE: SUSAN MCDOUGAL, A PARTNER IN THE LAND DEAL, IS SCHEDULED TO APPEAR AT A PRESS CONFERENCE. SHE IS REMEMBERED AS COLORFUL, FREE-SPENDING.

BYLINE: By SARA FRITZ and JOHN BRODER, TIMES STAFF WRITERS

DATELINE: LITTLE ROCK, Ark.

BODY

She is the mystery woman of the Whitewater saga -- the one key witness who has as yet said nothing publicly about President Clinton's Ozark Mountain land investment.

Susan McDougal, 38-year-old former wife of failed savings and loan owner James B. McDougal and former partner with the Clintons in the Whitewater Development Corp., is in a position to know about many unexplained aspects of the controversy now engulfing the White House.

Among other things, she could shed light on the central question in the case: Did Clinton and First Lady Hillary Rodham Clinton personally benefit from savings and loan money funneled illegally into the Whitewater real estate venture?

In addition, McDougal's version of the Whitewater story is likely to be every bit as colorful as it is informative.

A feisty, fun-loving woman, she is remembered vividly here because she appeared in hot pants and riding a white horse in a television commercial for one of her then-husband's real estate developments and because her free-spending habits helped to bankrupt his savings and loan; costing U.S. taxpayers at least $47 million.

On Monday, McDougal, who has eluded reporters since the Whitewater controversy began, is promising to break her silence. Her lawyer, Bobby McDaniel, has scheduled a press conference for his client, who is preparing to tell her story to Whitewater special counsel Robert B. Fiske Jr.

Because McDougal has been implicated in many of the misdeeds involving her ex-husband's Madison Guaranty Savings & Loan and Whitewater Development Corp., she is expected to seek immunity in exchange for her testimony. McDaniel acknowledged that he already has talked with the special counsel.

According to those who have talked with her recently, McDougal realizes that

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she is in a position to stir up trouble for the President and she is anxious to defend herself.

But it is not yet clear whether Clinton should fear her testimony.

While McDougal possesses inside knowledge of the Whitewater project that could substantially assist Fiske with his investigation, her friends and lawyers say she remains fiercely loyal to the Clintons and insistent that she is not guilty of any wrongdoing.

"Susan McDougal did not knowingly do anything wrong, and no one has shown that she did anything wrong," McDaniel said.

An acquaintance added: "I don't think she feels that she has any real smoking-gun evidence, but they are going to have to give her immunity to get her side."

McDougal not only denies any fault in the Whitewater matter, she also insists that she is not guilty of more recent charges pending against her in Los Angeles that she stole $200,000 from famed conductor Zubin Mehta while working as his personal bookkeeper after she left Arkansas.

Leonard Levine, her Los Angeles attorney, said McDougal is confident she will be proven innocent of charges of embezzling from Mehta.

Clearly, McDougal's story is one of rags to riches and back to rags.

From humble beginnings in Camden, Ark. -- one of seven children born to a soldier father and Belgium-born immigrant mother -- she became a highly visible Little Rock businesswoman with a flashy Jaguar and a reputation for what one of her friends described as "a shop-till-you-drop philosophy."

Between 1984 and 1986, according to a bank examiner's report on Madison Guaranty, she collected more than $1.5 million from the thrift, acting as the owner of a subsidiary advertising agency, known as Madison Marketing, that drained millions of dollars from the savings and loan.

She collected 15% commissions for doing the thrift's advertising and public relations work, but she actually hired other firms to carry out the work, according to the government's assessment of her role.

In her high-roller days, McDougal is said to have spent $1 million renovating and decorating a $200,000 house that she and her former husband bought in West Little Rock.

Her expensive tastes also dictated the expenditure of $600,000 to convert a former dry-cleaning establishment in a historic section of the city into an Art Deco headquarters for Madison Guaranty.

"Everything was paper hats and horns -- a party all the time," said an acquaintance familiar with McDougal's business practices. "She thought her subdivisions were making money even when they were losing money."

Now, McDougal is back on hard times -- unemployed and living with her boyfriend, Eugene (Pat) Harris, a former Madison Guaranty real estate agent,

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in Nashville. By all accounts, she spends her days searching for work, talking with her lawyers and avoiding the reporters who frequently stalk her.
"Every day is not a party now," commented one friend.

McDougal got to know the Clintons through her then-husband, whom she met in 1974 when she was a young drama student and he was a teacher at Ouachita Baptist University in Arkadelphia, Ark. She encountered him one day when she was trying to get into a locked office at the school and he kicked in the door for her.

James McDougal and Clinton were acquainted from their days working in the office of Sen. J. William Fulbright (D-Ark.).

Beginning in 1978, when the Clintons and the McDougals decided to develop vacation homes together in the Ozarks, Susan McDougal was privy to the many internal financial transactions of Whitewater Development for which there apparently no longer are complete records.

As a primary stockholder in Madison Guaranty and the owner of Madison Marketing, she may also know about thrift funds funneled through her company into the Whitewater venture.

McDougal could be able to explain the circumstances surrounding one transaction that has provoked particular suspicion. That is a November, 1985, check for $7,500 from Madison Marketing to Whitewater Development that was used to make a payment on a personal loan that the Clintons had taken out to build a model home on one of the Whitewater lots.

The check has been characterized by Clinton's critics as evidence that, as governor of Arkansas, he may have benefited personally from payments from a state-regulated thrift.

In addition, investigators hope that McDougal can explain what happened to $300,000 she got from a small Arkansas investment firm also enmeshed in the Whitewater matter.

The firm's owner claims that Clinton and James McDougal asked him to loan money to Susan McDougal, apparently to help prop up Madison Guaranty as it was staggering under the burden of bad loans.

She is known to have spent $110,000 to acquire an additional parcel of land for Whitewater Development, but it is not known where the remainder of the money went. The loan was backed by federal Small Business Administration funds.

Even though they were business partners, McDougal's former husband seems to have no idea how she will answer these questions. He claims that she always operated independently of him.

"I didn't see it as an adjunct to my activities," he said in an interview. "I saw her as an individual with a right to her own ambitions and undertakings."

Throughout their marriage, he said, his former wife kept her finances separate from his. "She did not have to ask me when she wanted to buy something," he said.

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Susan McDougal, however, tells a different story, saying in her rare comments that he handled the family's money.

The McDougals separated in May, 1984. In 1986, when they were ousted from the management of Madison Guaranty by federal regulators, James McDougal -- his health deteriorating -- is said to have accepted the move with quiet resignation, but thrift executives remember that Susan McDougal, who remained a stockholder, fought to keep her management ties.

Even now, with the legal system putting pressure on her, she is described by friends and acquaintances as "very strong, very loyal, very bright . . , a survivor . . , very anxious to have her side of this come out."

As she points out in conversations with friends, she was never charged with any crime when James McDougal was tried and acquitted for bank fraud.

And even though the McDougals have been separated for nearly a decade, the financial web they wove together has kept them "inextricably intertwined," as James McDougal put it. They divide the small returns that the land development still produces and will share in the proceeds of a defense fund their lawyers are establishing.

In addition, although their divorce became final in 1990 while Susan McDougal was living in California, the McDougals still seem to have a fond sentimental attachment. "We go to the same funerals," her former husband said.

GRAPHIC: Photo, Susan McDougal is expected to seek immunity for her testimony.
Arkansas Democrat-Gazette

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 13, 1994

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LEVEL 1 - 19 OF 54 ITEMS

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Los Angeles Times

March 12, 1994, Saturday, Home Edition

SECTION: Part A; Page 18; Column 4; National Desk

LENGTH: 1127 words

HEADLINE: CLINTONS PLAN TV APPEARANCE AS PART OF WHITEWATER STRATEGY; PUBLICITY: MORE CALL ON FIRST LADY TO SPEAK OUT ON THE CONTROVERSY. TREASURY DEPARTMENT TURNS OVER 3,700 PAGES OF DOCUMENTS.

BYLINE: By PAUL RICHTER and JACK NELSON, TIMES STAFF WRITERS

DATELINE: WASHINGTON

BODY

Amid mounting calls for First Lady Hillary Rodham Clinton to speak out on the Whitewater controversy, the White House planned Friday for both her and President Clinton to appear on at least one prime-time television news magazine show next week.

Hillary Clinton has remained consistently silent on the issue, and White House aides have been split sharply during the last two days on the wisdom of appearances that would generate new headlines, even if they succeeded in mollifying some critics.

"Everybody here has had a slightly different view on it," one senior official said.

Ultimately, however, officials decided that, to be effective, the White House strategy of openness on the Whitewater matter could not end with the President's explanation.

Planning for the television appearances was among several developments Friday.

The Treasury Department surrendered 3,700 pages of subpoenaed documents describing contacts with the White House and other federal agencies about its investigation of the failure of a savings and loan connected to the Whitewater real estate venture.

While officials sought to minimize the importance of the records culled from the Treasury Department files, the sheer volume of them -- more than three times what the White House surrendered on Thursday -- appeared to indicate that questionable contacts between regulatory officials and White House aides occurred over an extended period and involved large numbers of people.

Also on Friday, a GOP lawmaker claimed to have evidence that federal regulators in Washington may have tried to intimidate field investigators looking into the failure of Madison Guaranty Savings & Loan of Little Rock,

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Ark.

The savings and loan is at the heart of the Whitewater controversy. The thrift was owned by James B. McDougal, who, along with his wife, Susan, was a partner with Bill and Hillary Clinton in the Whitewater Development Corp., which was established in the late 1970s to build a resort community in the Ozark Mountains.

Federal investigators are trying to determine whether the Clintons received improper loans from McDougal, whose thrift later failed and was taken over by federal regulators.

The primary investigation, being led by special counsel Robert B. Fiske Jr., is also trying to determine the role played by Hillary Clinton, then a partner in the Rose Law Firm of Little Rock, in representing Whitewater Development and Madison Guaranty. Fiske's team in also looking into the apparent suicide last July of Deputy White House Counsel Vincent Foster, who had worked on the Whitewater matter as a Rose Law Firm partner and later at the White House.

Hillary Clinton has found herself in an awkward position in the Whitewater matter. Since the beginning of the Administration, she has sought to limit the kind of the publicity she receives -- calling no full-scale Washington press conferences, for example -- in part to head off accusations that she is trying to develop an independent political role.

But she has played a part in several issues stemming from the Whitewater controversy. It was she who managed the Clinton family finances, including Whitewater transactions, and she was a partner in the Rose Law Firm.

She has also been linked to controversial steps taken by the White House after Foster's apparent suicide. Her chief of staff, Margaret Williams, was among top aides who entered Foster's office after his body was found in a Virginia park. Questions raised about the removal of Whitewater-related papers from the office led last week to the resignation of White House Counsel Bernard Nussbaum.

Now, even some Democrats are coming to the view that the First Lady must more directly address these questions to lay them to rest. She "needs to make herself available for questioning the same way the President did," Sen. Bob Graham (D-Fla.) said at a meeting this week with members of the Knight-Ridder news bureau in Washington.

Many party members gathered at the spring meeting of the Democratic National Committee in Cleveland on Friday argued that the First Lady must be forthcoming if Democrats are to avoid becoming saddled with the Whitewater issue in the November elections.

"It is time for her to find the right venue in which to talk to the American people about a lot of this stuff," Lynn Cutler, a longtime party activist, told the Associated Press. "Her integrity and effectiveness are at stake."

Still, it was unclear whether the First Lady would choose to answer specific questions on any TV news shows or whether she might decline on grounds that to do so could interfere with Fiske's work.

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White House aides were considering a joint appearance by the Clintons on the CBS-TV program "48 Hours," which is broadcast Wednesday nights. To extend its full-access public relations strategy, the White House also planned to put its new special counsel, Lloyd N. Cutler, on three TV network news shows on Sunday morning.

As for the documents turned over by the Treasury Department Thursday night and Friday morning, a Treasury spokesman refused to say how many employees found relevant information in their files, computers and trash.

"Most of it was pretty mundane stuff," said a senior Treasury official who asked not to be identified. "Thirty-seven hundred pages may sound like a lot, but in reality there's a lot of duplication."

The official said that as much as 80% of the material consisted of documents generated in the preparation for congressional testimony, question-and-answer sheets for responding to media inquiries about Whitewater, press releases and early drafts of such material.

It was in February congressional testimony that Deputy Treasury Secretary Roger Altman revealed that he had briefed top White House officials about the criminal investigation of Madison Guaranty. Altman conducted the briefing in his role as acting director of the Resolution Trust Corp., the Treasury Department unit responsible for disposing of the assets of bankrupt savings and loan institutions.

It has since been learned that Treasury Department officials alerted White House aides to developments in the case on a number of other occasions. Fiske this week began taking testimony under subpoena from White House and Treasury officials.

Meanwhile, Rep. Jim Leach of Iowa, the ranking Republican on the House Banking, Finance and Urban Affairs Committee, claimed to have evidence that federal regulators may have tried to intimidate field investigators trying to find why Madison Guaranty failed.

He said he had forwarded the evidence to Fiske and expected the allegations to emerge as "a central issue" in the controversy.

Times staff writers John M. Broder, Michael Ross and James Gerstenzang contributed to this story.

GRAPHIC: Photo, First Lady Hillary Rodham Clinton pauses to wave before she travels to a meeting with lawmakers on Capitol Hill earlier in the week. Reuters

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 13, 1994

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LEVEL 1 - 20 OF 54 ITEMS

Copyright 1994 The Dallas Morning News
THE DALLAS MORNING NEWS

March 12, 1994, Saturday, HOME FINAL EDITION

SECTION: NEWS; Pg. 1A

LENGTH: 1258 words

HEADLINE: Washington RTC accused of trying to gag' thrift probe Agency chief denies investigators gagged'

BYLINE: Richard Whittle, Washington Bureau of The Dallas Morning News

DATELINE: WASHINGTON

BODY

WASHINGTON - A leading House Republican charged Friday that federal regulators investigating an Arkansas thrift involved in the Whitewater affair were "being gagged and possibly coerced" by superiors.

Rep. Jim Leach of Iowa, ranking Republican on the House Banking Committee, made the accusation about the Resolution Trust Corp. in a letter to special counsel Robert B. Fiske Jr.

RTC Washington office spokesman Mike Fulwider said the letter was "the first I've heard of Mr. Leach's concerns. If he would bring specific details of his concerns to our attention, we'd be happy to look into it."

The Leach letter took Mr. Fiske to task for opposing Republican demands for congressional hearings on Whitewater and for saying that the White House was being "very responsive and cooperative" with his investigation.

Taking issue with that statement, Mr. Leach wrote: "I am particularly concerned that officials of the Kansas City RTC office are being gagged and possibly coerced by the Washington RTC office.

(See attached confidential memo.)"

RTC Kansas City spokesman Jane Jankowski said her office would "not have any response."

The Kansas City office of the RTC, the agency created to clean up the savings and loan mess, has investigated the failed Madison Guaranty Savings and Loan Association. Madison's owner was a partner of President Clinton and Hillary Rodham Clinton in Whitewater Development Corp, a real estate venture, when Mr. Clinton was governor of Arkansas.

Mr. Leach, who released the letter at a breakfast with reporters, refused to explain his allegation. Nor would he discuss the contents of his confidential memo to Mr. Fiske, though he said:

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"What's in the memo makes my sentence an understatement, by a significant dimension.

"I am signaling today that people ought to pay a great deal of attention to the city of Kansas City," Mr. Leach said.

"Kansas City is a higher priority than Washington at this time," he added, alluding to Mr. Fiske's efforts to determine whether meetings between Treasury Department and White House officials compromised the federal investigation.

Mr. Leach said he had asked Mr. Fiske to subpoena members of the Kansas City RTC office.

"I would not be making a statement this strong unless I felt it was merited and unless I also felt it was important for the special counsel to intervene and protect individuals in the Kansas City office," he said.

Mr. Leach also said Republicans hope to discuss the matter at a hearing on the RTC by the House Banking Committee scheduled for March 24.

Republicans, angered by Democratic refusals to schedule special congressional hearings, have said they would use the semiannual oversight hearing to delve into Whitewater-related questions.

Their plan has brought them into conflict with the committee chairman, Rep. Henry B. Gonzalez, D-San Antonio.

Mr. Gonzalez has vowed to prevent the GOP from using the hearing to attack the president.

On Friday, Mr. Gonzalez said he had written the RTC and the Office of Thrift Supervision, which regulates healthy savings and loans, to tell them that they need not respond to a request from Mr. Leach for documents relating to Madison Guaranty.

Mr. Gonzalez said he sent the letters because Mr. Leach "trespassed the norms of common sense in his zeal to zap the president and his wife, and he's becoming vindictive, which is something I don't tolerate in anybody."

Madison Guaranty's failure cost taxpayers $ 47 million. Mr. Fiske is investigating allegations that money from the savings and loan was improperly funneled into Whitewater Development or Mr. Clinton's gubernatorial campaign chest.

Mr. Leach wrote to the RTC and the OTS earlier in the week requesting their documents on Madison, according to the Gonzalez letters to those agencies.

"A hearing does not provide the basis for a member of Congress to obtain documents to which he or she is not otherwise entitled," Mr. Gonzalez told the agencies. "I will request any information needed by the committee . . . and will make it available to members of the committee, as appropriate."

Leach spokesman Joe Pinder declined to comment on Mr. Gonzalez's actions.

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Mr. Pinder said, however, that Mr. Leach had "been writing letters to the RTC and talking to staff since November seeking copies of all documentation that they have related to the Madison case and we've gotten a paucity."

Asked if Mr. Leach's inability to get documents was the reason for his allegation that RTC officials in Kansas City were being "gagged," Mr. Pinder said: "No. These are two separate issues." He declined to comment further.

Mr. Gonzalez also released a letter he sent to special counsel Fiske on Friday in which he repeated his pledge to block GOP efforts to use the March 24 hearing to investigate Whitewater issues.

"I would never permit our mandated RTC accountability hearings .

. . to encroach on the Justice Department's ongoing proceedings," he wrote. "One witch hunt is enough.

"Since becoming chairman," he added, "I have constantly reminded each and every member of the committee, all and sundry, that the committee is a legislative body, not a prosecutorial or judicial one. I regret that Mr. Leach, despite his considerable service on the committee, and elements of the jackal press, refuse to see this."

At the breakfast with reporters, Mr. Leach declared that he was "Henry Gonzalez's biggest fan in the United States Congress. I think he's a man of great individual judgment and personality. I recognize completely how much I exasperate him."

Mr. Leach said he suspected that Mr. Gonzalez was resisting Republicans' desire to investigate Whitewater in part because "he is under very intense pressure by his (Democratic) caucus and, in all probability, the White House."

"I'm not confident that Mr. Gonzalez has the discretion to hold the hearing," Mr. Leach added. "I suspect a decision is being made higher up than his position."

Mr. Gonzalez replied: "There he goes again. He's suspecting.

He's arrogating to himself knowledge of majority-side things that I'm not aware of. Nobody's tried to pressure me from any level - except his.

"The oversight hearing is well-defined and it's mandated by law and nothing's going to change my mind about that," Mr. Gonzalez said.

Other Whitewater-related developments Friday:

* The Treasury Department turned over about 3,700 pages of documents to Mr. Fiske, while seven more administration officials prepared to testify before a federal grand jury. Mr. Fiske subpoenaed them after learning that Treasury officials discussed the Whitewater investigation with the White House. A Treasuryofficial said most of the documents were routine, such as drafts of news releases.

* ABC's World News Tonight showed photographs that appear to support police and medical reports that White House deputy counsel Vincent Foster's death last

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summer was a suicide. Mr. Fiske agreed to re-examine his death after questions about the suicide ruling were raised. Mr. Foster, a former law partner of Mrs. Clinton, was working on Whitewater matters at the time of his death.

* Senate Republican Leader Bob Dole, R-Kan., called for Mr. Clinton to suspend deputy Treasury Secretary Roger Altman and associate Attorney General Webster Hubbell because "they're up to their ears in misstatements and deception."

Mr. Altman is interim head of the RTC. Mr. Hubbell worked with Mrs. Clinton at a Little Rock law firm that represented Madison.

The Associated Press contributed to this report.

GRAPHIC: PHOTO(S): 1. Jim Leach . . . "I am signaling today that people ought to pay a great deal of attention to the city of Kansas City." 2. Henry B. Gonzalez . . . Jim Leach "is becoming vindictive, which is something I don't tolerate in anybody." 3. Bob Dole. . . calls for the suspension of two officials.

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LEVEL 1 - 21 OF 54 ITEMS

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The New York Times

March 12, 1994, Saturday, Late Edition - Final

SECTION: Section 1; Page 1; Column 1; National Desk

LENGTH: 1393 words

HEADLINE: So What Is This Whitewater? The People Speak (or Yawn)

BYLINE: By RICHARD L. BERKE, Special to The New York Times

DATELINE: LAKEWOOD, Ohio, March 11

BODY

"Whitewater?" asked Zandra Wolfgram. "Whitewater what? Rafting?"

Official Washington may be consumed by the Whitewater affair, but beyond the capital's Beltway -- from Seattle to Chicago to Atlanta to Boston to Lakewood -- most people have other things on their minds, like the weather or the fortunes of Tonya Harding and Nancy Kerrigan.

Judging by more than 200 on-the-street interviews with Democrats, Republicans and independents around the country this week, Whitewater is not a big topic of conversation.

Some See Political Motives

Like Ms. Wolfgram, a theater publicist in this town on the western edge of Cleveland, most people here said Whitewater had not markedly affected their views of Mr. Clinton, good or bad.

Many Republicans said they thought their party leaders were going too far to exploit the dispute for partisan advantage. But there are signs that Whitewater could still prove politically perilous for Mr. Clinton.

People in both parties said they were withholding judgment until questions about the Clintons' participation in an Arkansas real estate venture were resolved. Federal investigators are examining the Clintons' investment in the Whitewater Development Company and its relationship to a failed savings and loan association.

"We've only seen and heard a lot of conjecture, no smoking gun," said Odie Wright, a security officer in Chicago who is an independent. "And until there is, I'm remaining neutral."

Results from the latest New York Times/CBS News Poll show that for now, at least, the opinions voiced by those interviewed clearly reflected the thinking around the country. Thirty percent of respondents had heard "a lot" about Whitewater, up from 17 percent two months ago. But even more said they knew little or nothing about it. Six in 10 Americans said they did not know enough to

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say whether the Clintons did anything wrong; the rest were divided. Only one in five thought Whitewater was an issue of great importance to the nation.

The poll of 867 adults nationwide, conducted by telephone from March 8 through March 10, found that Mr. Clinton's 50 percent approval rating appears unaffected by Whitewater. But the public was divided over whether Mr. Clinton participated in a cover-up of the Whitewater situation, and 8 in 10 said Republicans were using the issue for political gain.

Here in Lakewood, where independents outnumber registered Republicans and Democrats, it did not take much prompting to jog the memory of the 28-year-old Ms. Wolfgram about the real estate deal that is haunting the Clintons. Even so, she was not especially intrigued.

"Washington's a famous city, fast-paced and high priced, and they have to have something to talk about during their three-martini lunches," said Ms. Wolfgram, who identified herself as an independent who voted for Mr. Clinton and would do so again. "But we've got bigger things to worry about here in Ohio."

Sitting in a barber chair on a slow day, waiting for customers, Mike Hunter of Mike's Barber Shop offered the results of his unscientific survey: "I never even heard one comment about it. The main thing we talk about is the weather."

Down the street, Joan Tropf, a real estate agent who is a Democrat, said it was no big deal, and no big surprise, that Mr. Clinton had become embroiled in Whitewater. "I voted for Clinton and I know that there was baggage," she said. "But I think people are looking too hard. We had Nixon's debacle -- everybody has their share."

At the Phoenix coffee shop, Ken Kloss took a break from reading the morning newspaper to defend a President he did not even vote for.

"I voted for Bush, though reluctantly," said Mr. Kloss, 37, an engineer who is an independent. "I haven't heard anything that would change my opinion of Clinton. There's a possibility that something's wrong there. But I don't think Clinton said, 'We've got to make money off this deal.' The Republicans don't have a good political agenda, so they've found something to latch on to."

'It Really Doesn't Matter'

Around the nation, similar voices were heard, even from Republicans who said that becoming enmeshed in one scandal or another is part of being a politician these days.

"At first I was shocked," Diane Dawson, a 51-year-old Republican, said between bites of her lunch at Bassett's in Philadelphia. "But they're not breaking in somewhere or selling arms. Whatever it's all about, it really doesn't matter as long as we're not in a war and people have a job."

Lee Moon, 64, a salesman at a small computer company in Seattle, sounded a refrain that was heard around the country: "No politician is clean," said Mr. Moon, who voted for Ross Perot in the 1992 Presidential race. "If you want to dig and go back, you can find noise about anyone. Whitewater-gate, Tonya-gate, I'm sick of nothing stories."

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Speaking of Bob Dole, the Senate Republican leader, Mr. Moon said: "I bet Dole is saying, 'We've really got them now. We tried to put a sex scandal on the President, but this is even better!"

Asked about the Whitewater affair, many people were hard pressed to describe it, or to explain just how the White House had managed to create a controversy over its handling of a relatively small business venture that occurred several years ago.

Some people say they believe the Clintons somehow acted improperly but, at least at this point, they do not seem to hold it against them.

"It's the run of the mill from Washington -- one scandal after another," said Greg Cotter, who works for an architectural company in San Francisco who voted for Mr. Clinton but considers himself an independent. "It's reached the point where they've all lost importance because there's so much in-party fighting and bickering. You don't know who's telling the truth anymore."

No one described Whitewater as even approaching the dimensions of the Watergate scandals. "It doesn't really compare," said Eileen Millican, a waitress in Darby, Pa., who is a Democrat. "It's not like they snuck into someplace and stole tapes or lied under oath."

Melissa Meier, 39, a college art instructor in Seattle who is an independent, put it this way: "Iran-contra was a hundred times more important than this baloney Whitewater stuff. Now that was a big cover-up."

Although many Americans sounded sympathetic about how Mr. Clinton got tangled in Whitewater, some people say the matter has already tarnished their view of him. At the very least, they said, the White House should have been more forthcoming in releasing documents about the case.

"Clearly it has been handled badly," said Matthew Bierman, a Democrat who is a development assistant to a producer in Hollywood. "I guess the Democrats don't have as much experience in scandal management."

Another Democrat, Vivian Trotz, a psychoanalyst from San Francisco, was frustrated with the Administration's handling of the affair. "I happen to believe there was some cozy cronyism," she said. "And this business of not coming forth has as much to do with disorganization in the White House."

Taking a break for a cigarette while shopping at a mall in Cambridge, Mass., Rod Lavalle, a 56-year-old independent, seemed more versed in the details of Whitewater than most people. And he was not optimistic about the possible outcome for Mr. Clinton.

"It certainly would make him a one-term President," he said. "It's too bad, because I think he was on the right track."

Role of President's Wife

Although Mrs. Clinton still has many loyal defenders, Whitewater has also raised new questions about her. "It seems like the majority of guilt, if any, is with Hillary," said Scott Badler, 39, a health care worker in Chelsea, Mass.

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But Mary Rubach, 70, an independent from San Francisco, said Whitewater only intensified the misgivings she had about Mr. Clinton since the 1992 campaign.

"I don't know if I ever viewed him as a man with much probity or integrity," she said.

Those are the sorts of comments that worry members of the Democratic National Committee, who gathered in downtown Cleveland this week for their spring meeting. Unavoidably, Whitewater was the unstated theme of the conference here. David C. Wilhelm, the party chairman, blamed Republicans.

"Whitewater is the great political hope of the Republican Party," he said. "It represents their only political strategy."

GRAPHIC: Photos: Joan Tropf, Real-estate agent -- "I think people are looking too hard." Ken Kloss, Engineer -- "The Republicans don't have a good political agenda, so they've found something to latch on to." Zandra Wolfgram, Theater publicist -- "We've got bigger things to worry about here in Ohio." (Photographs by Roger Mastroianni for The New York Times)(pg. 9)

Graphs: "The Views on Whitewater" shows overall public reactions to the Whitewater affair based on national telephone polls conducted by The New York Times and CBS News. (pg. 9)

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 12, 1994

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LEVEL 1 - 22 OF 54 ITEMS

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March 12, 1994, Saturday, Late Edition - Final

SECTION: Section 1; Page 8; Column 3; National Desk

LENGTH: 1193 words

HEADLINE: Lawmaker Says Officials Were Gagged Over S.& L.

BYLINE: By DAVID JOHNSTON, Special to The New York Times

DATELINE: WASHINGTON, March 11

BODY

The top Republican on the House banking committee said today that bank regulators in Washington had "gagged and possibly coerced" their subordinates in Kansas City who sought a criminal inquiry into the failed Arkansas savings and loan at the heart of the Whitewater affair.

Representative Jim Leach, an Iowa Republican who has been a vocal proponent of Congressional hearings on the matter, made the accusation in a letter to the special prosecutor investigating events surrounding the savings and loan and the Clintons' real estate dealings. The Clintons were partners with the owner of the failed financial institution, Madison Guaranty Savings and Loan, and his wife in a land venture, the Whitewater Development Company.

In his letter to the special prosecutor, Robert B. Fiske Jr., Mr. Leach expressed his concern about problems at the Resolution Trust Corporation, the Federal regulatory agency responsible for disposing of failed savings and loans and pursuing civil and criminal cases against people responsible for the failures.

"I am particularly concerned," Mr. Leach wrote in the letter, which he made public this morning, "that officials in the Kansas City R.T.C. office are being gagged and possibly coerced by the Washington R.T.C. office."

Later, he said the issue was central to understanding the Whitewater issue.

But neither the Congressman nor his staff would elaborate on the reference to coercion, floating out the accusation in advance of a hearing scheduled for March 24 when when Mr. Leach has promised "blockbuster" disclosures about the affair.

Mr. Leach has asked Representative Henry B. Gonzalez, the Texas Democrat who is chairman of the Banking Committee, to invite 40 witnesses to testify, including four officials from the Resolution Trust Corporation in Kansas City.

Possibility of Discord

Mr. Gonzalez has said he has not yet decided whether to invite the

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witnesses. But in a letter to Mr. Fiske today, Mr. Gonzalez suggested that he would not interfere with the prosecutor by convening wide-ranging hearings on Whitewater. "One witch hunt is enough," Mr. Gonzalez said.

At the White House, Dee Dee Myers, Mr. Clinton's press secretary, derided Mr. Leach's accusation. "Gosh, imagine that," she said, "an accusation without any evidence." A spokesman for the agency in Washington said, "This is the first we've heard of these concerns." Agency officials in Kansas City had no comment.

Still, the possibility that Washington officials had squelched their subordinates in the field on a matter related to Whitewater raised at least the possibility of further discord at an agency under a harsh spotlight since the disclosure last week that Treasury Department officials with knowledge of the Resolution Trust Corporation's complaint had met more than three times with White House aides.

Those meetings prompted Mr. Fiske to subpoena six White House and four Treasury aides to testify before a Federal grand jury here. Mr. Fiske's demands for documents sent White House and Treasury officials scrambling to scour their files for records related to the meetings that were held as the regulators prepared to refer a criminal complaint to the Justice Department.

Today, the Treasury Department turned over nearly 4,000 pages of documents subpoenaed by prosecutors. The White House gave them 1,000 pages of Whitewater-related material on Thursday.

Three White House aides testified on Thursday: Margaret Williams, chief of staff to Mrs. Clinton, Lisa Caputo, Mrs. Clinton's press secretary, and Mark D. Gearan, the White House communications director. And next week, others are expected to go before the grand jury, which is to meet on Tuesday and Thursday.

The Resolution Trust Corporation office in Kansas City had pressed the Justice Department for a criminal investigation of Madison beginning in mid-1992. After the Justice Department dismissed the agency's first complaint in the spring of 1993 as insufficient, the Kansas City office asked again in early October, Justice department officials said.

Request by Regulators

The request mentioned Mr. Clinton and his wife, Hillary Rodham Clinton, as potential beneficiaries of possible wrongdoing but did not accuse them of any illegalities.

On Sept. 29, 1993, Jean Hanson, the Treasury Department's top lawyer, met with Bernard W. Nussbaum, the White House counsel who was forced to resign last weekend after the meeting was disclosed. Ms. Hanson warned Mr. Nussbaum that the regulators were planning to ask for a Justice Department investigation.

On Oct. 14, 1993, another meeting was held in Mr. Nussbaum's office to discuss how to handle inquiries from news organizations about the Whitewater investigation. With Mr. Nussbaum and Ms. Hanson were Mr. Gearan, Bruce Lindsey, a senior adviser to Mr. Clinton, Josh Steiner, chief of staff to Treasury Secretary Lloyd Bentsen, and Jack DeVore, Mr. Bentsen's press secretary at that time.

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Last month, Roger C. Altman, Deputy Treasury Secretary, met with Mr. Nussbaum, Ms. Hanson, Harold M. Ickes, the deputy chief of staff at the White House, and Ms. Williams, Mrs. Clinton's chief of staff. Mr. Altman said the meeting was held to provide White House officials with information on how the Resolution Trust Corporation would handle civil claims arising out of the collapse of Madison.

Three-Way Tug of War

In part, Mr. Leach's letter reflected a three-way tug of war among the special prosecutor, the Democrats and the Republicans over Congressional hearings on Whitewater while Mr. Fiske conducts a criminal inquiry.

Democrats have stoutly resisted hearings and quickly embraced Mr. Fiske's recommendation that Congress defer them until he is through. But Republicans fear that delay could keep an embarrassing issue for the Democratic Administration under wraps.

Bob Dole of Kansas, the Senate Republican leader, called again today for hearings. But Senator George J. Mitchell of Maine, the majority leader, said he would hold hearings only when he was certain they would not undermine Mr. Fiske's investigation.

Mr. Dole also said the Administration should suspend Mr. Altman and Webster L. Hubbell, the associate Attorney General, who is former law partner of Ms. Clinton. But Administration officials said they did not plan to remove either official.

In his letter, Mr. Leach expressed irritation with the special prosecutor and reminded him that he had an obligation "not to interfere with the legitimate oversight responsibilities of Congress."

Mr. Leach said it was the responsibility of Republicans to pursue Congressional hearings. "Traditionally in all western democracies, it is the responsibility of the party out of power to hold the party in power accountable for breaches of the public trust," he said

Mr. Leach complained about what he said were Mr. Fiske's statements in recent days indicating that the White House had cooperated with his inquiry when, Mr. Leach wrote, "there are indications to the contrary." Among those indications were the accusations concerning coercion of employees at the Resolution Trust Corporation office in Kansas City.

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LEVEL 1 - 23 OF 54 ITEMS

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March 12, 1994, Saturday, Final Edition

SECTION: FIRST SECTION; PAGE A9

LENGTH: 741 words

HEADLINE: Whitewater Investigators Complain of Pressure

SERIES: Occasional

BYLINE: Susan Schmidt, Washington Post Staff Writer

BODY

Investigators for the Resolution Trust Corp. have complained privately that they felt pressured by agency lawyers to play down the involvement of President Clinton and Hillary Rodham Clinton in their preparation of criminal referrals involving the failed Madison Guaranty Savings & Loan, according to agency sources.

Their concerns were highlighted yesterday by Rep. Jim Leach (R-Iowa), who is spearheading a congressional probe of Whitewater. In a confidential memo to special counsel Robert B. Fiske Jr., Leach outlined concerns about pressures on RTC officials in Kansas City, Mo., who investigated the Clintons' Ozarks land venture and its Madison connections. He declined to discuss specifics publicly, citing the need to protect the officials.

He warned in a publicly released letter to Fiske that field employees have been "gagged" and "possibly coerced" by agency officials here.

Agency sources say debate in the Kansas City RTC office began last fall and continued as the Whitewater matter intensified. There was serious disagreement between investigators and RTC lawyers over how the Clintons should be treated in the agency's written request for further criminal investigation into Madison and Whitewater by the Justice Department. It is not known whether the discussions involved political appointees or were limited to career employees.

Investigators in Kansas City insisted on detailing the Clintons' involvement, sources said, but some agency lawyers -- who typically are not involved in preparing so-called criminal referrals -- wanted to leave the Clintons out. The referral eventually was sent to the Justice Department recommending further investigation of Madison funds possibly going to Whitewater or the Clinton campaign.

"What you have today is an office in Kansas City and a group of very courageous individual regulators who have a difference of opinion with Washington," Leach said.

Investigators contacted yesterday referred inquiries to the press office. RTC spokesman Stephen Katsanos said: "Mr. Leach has not brought his concerns to our

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attention. If and when he does so, we will be happy to promptly look into any specific matters he is concerned about."

Leach's comments came after a week in which three White House officials testified before a grand jury here about private meetings in which they and others were briefed on criminal and civil matters arising from the Madison probe by political appointees at the Treasury Department, who are running the RTC in the absence of a permanent chief there. More White House officials are scheduled to testify next week.

Leach's letter to Fiske chided him for making "premature public judgments" that the White House was cooperating in the probe "when there are indications to the contrary."

While pressure has mounted for a full congressional investigation of the Clintons' relationship with Madison's former owner James B. McDougal, the RTC and Justice Department have come under fire for their handling of the sensitive probe. The Clinton- appointed U.S. attorney in Little Rock, Ark., declined to further investigate the RTC's first detailed criminal referral, which named the Clintons as possible beneficiaries of Madison's activities.

RTC investigators sent a second set of criminal referrals to Justice, naming Whitewater and the Clinton gubernatorial campaign as areas meriting further investigation.

Leach has invited four RTC investigators from Kansas City to testify at a March 24 RTC oversight hearing before the House Banking Committee. Leach said he would be willing to delay his hearing a few weeks to avoid getting in the way of the ongoing grand jury probe into the White House briefings.

Banking Committee Chairman Henry B. Gonzalez (D-Tex.) is determined to limit Leach's hearing on Madison and has urged the RTC and S&L regulators to withhold documents from him.

In Little Rock, Fiske has subpoenaed documents related to a Whitewater purchase of 810 acres of land near Little Rock from the International Paper Co. McDougal and his wife at the time, Susan, bought the land in 1986 and said the Clintons knew nothing about it.

They used a $ 110,000 down payment that came from a loan made to Susan McDougal by former Little Rock municipal judge David Hale. Hale has said Clinton pressured him to make the loan through a firm backed by the Small Business Administration.

Staff writer Howard Schneider contributed to this report.

LANGUAGE: ENGLISH

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LEVEL 1 - 24 OF 54 ITEMS

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March 12, 1994, Saturday, Final Edition

SECTION: Part A; NATION; Pg. A4

LENGTH: 866 words

HEADLINE: White House aides lash out at media on coverage; Clintons seek prime-time TV slot to explain Whitewater

BYLINE: Paul Bedard; THE WASHINGTON TIMES

BODY

The White House bashed the media for its coverage of the Whitewater-Madison affair yesterday as reports indicated President Clinton and his wife, Hillary, were seeking a prime-time television slot to explain their involvement.

The Treasury Department also turned over about 3,700 documents to Whitewater-Madison special counsel Robert B. Fiske Jr. - far more than the White House has provided under subpoena.

Treasury Secretary Lloyd Bentsen told reporters the number of documents did not mean his department was more deeply involved in the case than the White House, which a day earlier gave prosecutors just 1,000 pages of documents detailing the secret White House talks with Treasury officials on Whitewater-Madison.

Ousted White House Counsel Bernard W. Nussbaum and presidential spokeswoman Dee Dee Myers both blasted the intensive media coverage surrounding Whitewater-Madison yesterday and demanded restraint.

Mr. Nussbaum, ousted effective April 5 for hosting the secret Treasury meetings to discuss a criminal probe of Madison Guaranty Savings and Loan Association and its links to Whitewater Development Corp., told a black-tie crowd in New York that the media is more focused on the scandal than administration initiatives.

"I have learned that most of the pundits and press in Washington and around the country consider the possibility of scandal, however remote, to be far more newsworthy than the reality of accomplishment or the potential for positive change," he said late Thursday night.

"We in the administration have had better luck making history than making headlines," he said.

A search of headlines in The Washington Times and its sister publication Insight, however, showed that Mr. Clinton has received more headlines than former President Bush in his first 15 months. So far, Mr. Clinton has been

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named in 11,434 headlines.

Miss Myers, echoing comments made by Mr. Clinton in New York on Thursday, charged that Americans are confused over the Whitewater-Madison affair because it "is complicated and it's gotten buried in an avalanche of political posture and people trying to use this for partisan gain."

She slammed wire services and newspapers for excerpting a story in an expensive financial newsletter published Thursday that said former White House Deputy Counsel Vincent W. Foster Jr. died in a Northern Virginia apartment and was then dumped at Fort Marcy Park, where his body was found July 20. Police have said it was a suicide at the park.

The report played a role in the plunge of the Dow Jones industrial average and other market indexes.

"The report was completely irresponsible and unsubstantiated; not a shred of credible evidence suggests that is true," said Miss Myers. "I didn't see anybody rushing to knock that story down yesterday in the nation's news media."

Miss Myers added that "it's more of a question of how do these stories get any credibility? I think that's the issue here. Why are these unsubstantiated allegations taken seriously? Why are they repeated? It's an outrage."

Miss Myers called the Johnson Smick International Report, which originated the article, a "second rate" publication. However, it is co-published by a former vice chairman of the Federal Reserve, Manuel H. Johnson. His company also has been hired by the State Department to set up G-7 meetings with members of the world's seven largest industrial countries.

A spokesman said the newsletter stands by its report.

Christopher Callahan, assistant dean of journalism at the University of Maryland, said it is common for politicians in trouble to hit press coverage.

"It's a good litmus test to see how much pressure the administration is feeling," Mr. Callahan said yesterday.

"To blame the press is an old card that politicians play when they are really in bad shape," he said.

Stephen Hess of the Brookings Institution suggested that the White House feels under attack.

"You do get this siege mentality and that the enemy is beating at the door," he said.

While Mr. Callahan said it is unlikely that a small newsletter would beat the mass media to a story as explosive as the moving of Mr. Foster's body, he defended news agencies such as Reuters for reporting that the stock markets were jittery over the report.

"You have to report it. You just can't say stocks are dropping and then not say why," he said.

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Over the weekend, the White House communications department hopes to settle on a strategy to fight the escalation of Whitewater-Madison coverage. New White House Counsel Lloyd Cutler, for example, plans to appear on "Meet the Press" to explain the White House's actions so far.

It was not certain if the Clintons were going to appear on a newsmagazine show such as "60 Minutes" to explain their role in Whitewater-Madison. The Clintons used a "60 Minutes" interview to help rescue the Clinton presidential campaign in 1992 after a former Arkansas state employee said she had a 12-year affair with then-Gov. Clinton.

"Everyone has a request in. Right now there is not something locked down and I don't know that there will be," said Neel Lattimore, spokesman for Mrs. Clinton.

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LEVEL 1 - 25 OF 54 ITEMS

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March 12, 1994, Saturday, Final Edition

SECTION: Part A; NATION; Pg. A4

LENGTH: 661 words

HEADLINE: Leach accuses White House of gagging regulators

BYLINE: Michael Hedges; THE WASHINGTON TIMES

BODY

Rep. Jim Leach yesterday said the Clinton White House has "gagged" federal regulators who made criminal referrals of suspected financial impropriety to the Justice Department in the Whitewater-Madison affair.

What's more, the Iowa Republican said Whitewater-Madison special counsel Robert B. Fiske Jr.'s efforts this week to delay congressional hearings into the affair are having a "chilling effect" on the congressional process.

Mr. Leach's comments, made in a letter to Mr. Fiske, were immediately denounced by the White House as a Republican attempt to score points against the Democratic administration.

In his letter to Mr. Fiske, Mr. Leach said he was "particularly concerned that officials at the Kansas City RTC [Resolution Trust Corp.] office are being gagged and possibly coerced by the RTC office in Washington."

The RTC, which manages the savings and loan cleanup, is investigating the failure of an Arkansas thrift linked to President Clinton and first lady Hillary Rodham Clinton.

Steve Katsanos, spokesman for the Washington RTC office, said: "I have no idea what Mr. Leach is talking about."

Jane Jankowski, spokeswoman for the RTC's office in Kansas City, Mo., headquarters for the region that includes Little Rock, Ark., said: "We have no comment on the Leach letter."

Asked about the letter at a press breakfast yesterday, Mr. Leach said: "I'm suggesting the White House very improperly intruded in this process."

He added that there was a "distinct possibility" that Mr. Clinton has interfered in proceedings against himself, referring to meetings between top White House aides and the RTC's acting director, Deputy Treasury Secretary Roger C. Altman.

In his letter, Mr. Leach also said he is concerned that Mr. Fiske's

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"public lobbying of Congress has had the effect of sending a chilling precedent . . . for the majority party which controls the machinery of Congress to delay, defer or avoid its constitutional responsibilities."

The moderate Republican noted that congressional hearings during Watergate helped uncover new facts and that a recent Senate hearing prompted Mr. Altman to admit for the first time that he and other Treasury officials had briefed the White House on the RTC's probe of Madison Guaranty Savings and Loan.

Madison was owned by a former business partner of the Clintons', and its failure cost taxpayers more than $50 million.

Mr. Leach, ranking GOP member of the House Banking Committee, added that he would readily delay hearings for "a week or two" to let Mr. Fiske interview some 40 witnesses the Republican wants to question in a March 24 Banking Committee oversight hearing on the RTC.

The RTC has declined to give Mr. Leach documents he said he needs to examine the Whitewater-Madison matter.

"Mr. Leach is an individual member of Congress. He does not have the authority of the [Banking] committee," said Mr. Katsanos, RTC spokesman. "As an individual member of Congress, he does not have the authority to look into any RTC file he wants to."

The White House quickly accused Mr. Leach of seeking to make political capital out of Whitewater-Madison. "It's pretty clear that there's a very organized effort on the Hill among the Republicans [to make] a political issue out of this," said Clinton spokeswoman Dee Dee Myers.

A simmering feud between Mr. Leach and Rep. Henry B. Gonzalez, Texas Democrat and Banking Committee chairman, erupted after Mr. Leach sent his letter to Mr. Fiske.

Mr. Gonzalez sent a letter to the RTC, saying, "The Banking Committee is not conducting an investigation of Madison Guaranty Savings and Loan at this time." He added that Mr. Leach's request for RTC documents wasn't supported by House rules.

The Gonzalez letter prompted Mr. Leach to say it was "unprecedented" for one member of Congress to tell a federal agency to deny another member information.

* Paul Bedard contributed to this report.

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LEVEL 1 - 26 OF 54 ITEMS

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March 12, 1994, Saturday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1090 words

HEADLINE: Can this operation be saved?

BYLINE: Rod Dreher; THE WASHINGTON TIMES

BODY

Is the Rose Law Firm's reputation being shredded by the continuing Whitewater-Madison affair?

Here's the word from Little Rock:

"Everybody's talking about the allegations put forward. People are kind of wondering if it's going to survive as a firm," says Daryl Glascot, a lawyer. "Street talk is . . . wondering if there's not going to be a bust-up in the firm."

Columnist John Brummett, writing in Tuesday's editions of the Arkansas Democrat-Gazette, says Rose is being unfairly attacked for shredding legal papers. Nevertheless, writes Mr. Brummett, the latest barrage of press reports on the firm gives reason to suspect that lawyers there are at odds with one another.

"A house divided against itself cannot stand," he writes. "One divided against itself while under front-page external attack might spontaneously combust."

Dick Hatfield, a lawyer, says he takes press reports about misdeeds at the Rose firm, where first lady Hillary Rodham Clinton and Associate Attorney General Webster L. Hubbell were partners, "with a very large grain of salt." Still, "it wouldn't sound good to me if the FBI was looking into what I was doing."

That's about as forthcoming as Little Rock lawyers get these days on the subject of Rose. Aside from expressions of shock and dismay at what is happening to the firm, most prefer to withhold comment.

Controversies like those buffeting the Rose firm are a source of worry and distraction to lawyers within a firm, making daily work difficult, according to lawyers in both Little Rock and Washington.

"Even though it may be unfair, this kind of publicity probably chills some people as they are looking at who they want to go to for counsel," says

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Washington lawyer Bob McConnell.

Ronald M. Clark, Rose's managing partner, did not respond to a telephone inquiry.

Founded in 1820, the Rose Law Firm has long enjoyed a reputation for legal skill and integrity.

The legal corporation has been dragged into the Whitewater-Madison tempest because of reports that it destroyed documents that may have shed light on the Clintons' involvement with Madison Guaranty Savings and Loan Association and Whitewater Development Corp.

The firm's reputation took another hit recently when it was revealed that it was conducting an internal review of Mr. Hubbell's billing practices. Rose is trying to determine whether Mr. Hubbell overbilled clients, including the Federal Deposit Insurance Corp., during a 1989 case involving Madison. Mr. Hubbell has denied this.

The crisis at the Rose firm appears to be deepening. Citing a source inside the firm, The Washington Times reported yesterday that Mr. Hubbell's former Rose partners are considering filing ethics charges against him after an internal probe found that Mr. Hubbell failed to document hundreds of thousands of dollars in expenses billed to clients.

The Clinton presidency should have been a boon to Rose's reputation. Four of its senior partners - including Mrs. Clinton, Mr. Hubbell, Vincent W. Foster Jr. and William Kennedy III - moved to Washington to take prominent roles in the new administration.

With influence like that, Rose - whose business quadrupled in the go-go 1980s - had reason to expect it to increase even more.

Instead, the firm has suffered devastating setbacks, including the July 20 death of Mr. Foster, then White House deputy counsel. Mr. Foster's body was found in a Virginia park in what U.S. Park Police have said was a suicide.

There also have been accusations of ethics violations dating from Mrs. Clinton's days as senior partner - when she represented Madison before state banking regulators - as well as the reports of overbilling and document shredding.

Robert B. Fiske Jr., special counsel in the Whitewater-Madison affair, has said he will investigate the Rose firm's role in the matter.

The firm's Washington office, which senior partner Allen Bird II opened in October, has had trouble scaring up business, a source close to the operation says.

"The office is developing, perhaps not at the pace I expected, but I feel very welcomed," Mr. Bird told USA Today this week. He did not return a phone call yesterday for comment.

Clearly, having White House-Little Rock connections in the current political climate is no advantage.

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"The problem is not that the Rose Law Firm is being investigated. The issue is that this is a firm that absolutely flourished on their reputation for political savvy. It certainly doesn't look like there was much savvy there," says a top Washington lawyer with political experience.

Merrie Spaeth, a Dallas-based communications consultant who has counseled lawyers on improving their public image, says the Rose firm faces problems "of enormous magnitude" concerning relationships with clients.

"The question you [as a client] ask yourself is 'What happened to their judgment?' They may be great for Little Rock, but they are out of their league in the big city."

How should the Rose firm protect its reputation for the duration of the Whitewater-Madison investigation? A seasoned Washington lawyer with experience in managing crises offers the following advice:

"Stick to your work. Don't do anything underhanded. Don't destroy any files, for heaven's sake. Don't do anything that adds a caboose to the existing scandal train. . . . Work hard at representing your clients."

Mr. McConnell agrees, to a point. "The problem is that, to some extent, [Rose] doesn't have control over the situation anymore. They have the ability to do their work and respond as is appropriate to inquiries. On the other hand, there are stories coming from all locations, founded or unfounded, and that makes it a difficult environment for them to deal in."

Without commenting specifically on Rose, Harris Weinstein - who successfully prosecuted the government's 1992 S&L-related case against the New York firm Kaye, Scholer - says it is vital for a law firm to maintain collegiality and internal trust among its partners in the face of criminal investigations.

He doesn't think a public relations counteroffensive is possible.

"Lawyers are at an inherent disadvantage in defending themselves because of lawyer-client confidentiality," he says. "The information needed for a full public defense just can't be revealed."

Ms. Spaeth disagrees. She gives the Rose firm low marks for sounding "very defensive" in the press and for being "way behind the curve in understanding strategic communication."

GRAPHIC: Photo (color), On firm ground? Whitewater may damage one institution's foundation.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 12, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Trudy Walsh
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 1, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are seven (7) news articles from Nexis, relating to Madison Guaranty, covering the period of February 28-March 1, 1994.

LEVEL 1 - 1 OF 1 ITEM

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March 1, 1994 Tuesday, NORTH SPORTS FINAL EDITION

SECTION: NEWS; Pg. 2; ZONE: N

LENGTH: 840 words

HEADLINE: NEW PROBE IN MRS. CLINTON'S S&L CASE

BYLINE: By William Gaines and Gary Marx, Tribune Staff Writers.

BODY

Federal regulators are reopening an investigation into whether First Lady Hillary Rodham Clinton had a conflict of interest when, as a private attorney, she represented a government agency against a family friend.

Andrew Hove, acting chairman of the Federal Deposit Insurance Corp. (FDIC), ordered the agency's inspector general Friday to begin investigating Mrs. Clinton's participation in a suit between the now-defunct Federal Savings and Loan Insurance Corp. and a bankrupt thrift in the Chicago suburb of Oak Brook.

Hove also ordered the inspector general to review whether the Rose Law Firm-Mrs. Clinton's former firm-had a conflict of interest in its work with Madison Guaranty, a failed Arkansas savings and loan at the heart of the Whitewater controversy.

Less than two weeks ago, the FDIC cleared Mrs. Clinton and the Rose Law Firm of any conflict of interest in either case.

But Republican legislators called the brief investigation by FDIC attorneys a "whitewash" and demanded that the agency take another look at the professional conduct of Mrs. Clinton and her former colleagues at Rose, including Associate Atty. Gen. Webster Hubbell.

Sen. Alfonse D'Amato (R-N.Y.), a member of the Senate Banking Committee, formally asked Hove to request an inspector general's investigation at a committee hearing last Thursday. Unlike FDIC attorneys, the inspector general's office-the FDIC's investigatory arm-has the power to interview people under oath and subpoena documents.

"The inspector general is going to look into the matter. Congress is pressing the issue," said David Barr, a spokesman for the FDIC. Hove asked the inspector general to complete the investigation and report back to him within 90 days. It is unclear whether Mrs. Clinton will be questioned as part of the inquiry, Barr said.

The FDIC's initial inquiry into Mrs. Clinton was triggered by a Feb. 3 report in the Tribune about her role as an attorney for a federal agency that had sued Dan Lasater, a friend and political benefactor of her and her husband, President

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Clinton, who was governor of Arkansas at the time.

The story reported that Mrs. Clinton represented the government agency in the case against her friend, a potential conflict of interest. The story also said that, as an attorney for the government agency, she helped settle the suit for substantially less than the $3.3 million in damages that were initially sought.

FDIC officials said their inquiry, conducted by the agency's legal division, confirmed that Mrs. Clinton was a lawyer representing the Federal Savings and Loan Insurance Corp. in the 1980s and that she actively participated in FSLIC's litigation against Lasater.

But the FDIC said Mrs. Clinton's involvement was not extensive enough to constitute a conflict of interest under rules governing the federal regulation of savings and loans. The FDIC said that, under federal rules existing at the time, Mrs. Clinton did not have to inform the government directly about her friendship with Lasater.

Lasater is a millionaire bond trader who was accused of making unauthorized Treasury bond trades that resulted in more than $361,000 in losses for First American Savings and Loan Association of Oak Brook.

FDIC officials said they believed Mrs. Clinton worked only two hours on the case, signing an amended complaint in the litigation that reduced from $3.3 million to $1.3 million the damages sought against Lasater. They also said they believed Mrs. Clinton was not involved in the final decision to settle the case against her friend for $200,000.

FDIC officials said they thought the case was handled primarily by Vincent Foster, a Rose attorney and close friend of the Clintons who committed suicide last July.

Law and accounting firms are generally barred from representing the government in S&L cases if they have previously worked for the thrift or have personal links to any officials or targets of the lawsuits. The Chicago law firm of Hopkins & Sutter, in its capacity as primary contractor for the FSLIC, hired the Rose Law Firm and was responsible for asking the Rose attorneys whether they had any potential conflicts of interest in handling the suit against Lasater.

FDIC officials said Hopkins & Sutter could not remember details of the case. But they told federal officials that they have no records indicating that Mrs. Clinton worked on any aspect of the case beyond the amended complaint.

The FDIC's inquiry involved primarily a review of court records and the billing records submitted by the Rose Law Firm, where Mrs. Clinton was a partner. FDIC attorneys did not interview her as part of their inquiry.

The inspector general's investigation is separate from the larger criminal investigation by Robert Fiske, the special counsel appointed last month by Atty. Gen. Janet Reno to look into the affairs of Madison Guaranty and Whitewater Development, a real estate company that involved the Clintons and James McDougal, Madison's former owner.

LANGUAGE: ENGLISH

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LOAD-DATE-MDC: March 1, 1994

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February 28, 1994, Monday, Final Edition

SECTION: OPINION EDITORIAL; PAGE A16

LENGTH: 423 words

HEADLINE: Whitewater Recusal

SERIES: Occasional

BODY

DEPUTY TREASURY Secretary Roger Altman's decision to recuse himself from all matters relating to the investigation of the Madison Guaranty Savings and Loan failure was belated but proper. Besides his personal friendship with President and Mrs. Clinton, Mr. Altman also serves as acting chief of the Resolution Trust Corp. It's the independent federal agency charged with disposing of collapsed savings and loans and pursuing civil and criminal cases against those associated with the failures, including officers, borrowers, accountants and lawyers.

Mr. Altman's disclosure last Thursday that he had recently briefed White House counsel Bernard Nussbaum and two top aides to Mr. and Mrs. Clinton on how the RTC would proceed with potential claims growing out of Madison's failure drew Republican charges that the White House was improperly involved in a case that affects the Clintons personally. On Friday, Mr. Altman said that while his briefing was confined to procedural issues confronting the RTC and not matters related to the Madison case, he had exercised "bad judgment" by initiating contact with the White House. "If I had it to do all over again, I wouldn't," he said. There are good reasons, however, why he should never have entertained the idea of going over to the White House in the first place.

Mrs. Clinton and her former Rose Law Firm partners represented Madison in the mid-1980s. Her firm also sued Madison's accountants on behalf of the federal government in 1989. The Clintons were also business partners with James McDougal, owner of the failed Madison Guaranty Savings and Loan. The Clinton-McDougal joint investment in the Whitewater land venture also had a banking relationship with Madison. It was inappropriate for the head of an independent regulatory agency to give a "heads up" (to use Mr. Altman's words) to White House advisers of the Clintons who are his friends and who are also potential defendants in RTC civil suits.

If, however, it was wrong for appearances sake for Mr. Altman to offer a briefing, it was inappropriate for the same reason for Mr. Nussbaum, deputy chief of staff Harold Ickes and Mrs. Clinton's chief of staff Margaret Williams to accept the invitation. The Whitewater probe is a personal matter for the Clintons and does not involve the presidency. With the hiring of private attorney David Kendall to represent the Clintons' interests in "Whitewater," White House staff, absent a showing of an official link to the White House, should keep their hands off the probe.

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The Washington Post, February 28, 1994

LANGUAGE: ENGLISH
LOAD-DATE-MDC: February 28, 1994

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WALL STREET JOURNAL

February 28, 1994, Monday

SECTION: Section A; Page 16, Column 1

LENGTH: 47 words

HEADLINE: RTC CHIEF ALTMAN RECUSES HIMSELF FROM MATTERS OF FAILED ARKANSAS THRIFT

BYLINE: BY ALBERT R KARR and BRUCE INGERSOLL

ABSTRACT

Deputy Treasury Secretary Roger Altman, who is also interim head of Resolution Trust Corp, recuses himself from matters relating to Madison Guaranty Savings & Loan, a failed Arkansas thrift at the heart of ethical questions involving the Clintons (L)

LANGUAGE: ENGLISH

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5TH ITEM of Level 1 printed in FULL format.

The Associated Press

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February 28, 1994, Monday, PM cycle

SECTION: Washington Dateline

LENGTH: 729 words

HEADLINE: Regulators Raised Conflicts Issue But Were Overruled, Documents Show

BYLINE: By LARRY MARGASAK, Associated Press Writer

DATELINE: WASHINGTON

BODY

Two federal regulators raised concerns in 1989 that Hillary Rodham Clinton's law firm had conflicts of interest in representing the government in an Arkansas savings and loan failure, documents show.

Their worries, however, were overruled by Federal Deposit Insurance Corp. lawyer April Breslaw who wrote: "On these facts, I am not inclined to take a $ 10 million case away from counsel that has obtained fine results for me on other matters."

Sen. Alfonse D'Amato of New York, ranking Republican on the Senate Banking Committee, released the documents, saying they raise new questions about the FDIC's recent finding that cleared the Rose Law Firm, where Mrs. Clinton worked, of any conflicts.

Rose's work in the case of Madison Guaranty Savings and Loan has now become part of the special prosecutor's investigation of the Whitewater affair and the first family's business dealings. The Clintons were partners in the Whitewater real estate venture with James McDougal, who headed the failed S&L.

D'Amato demanded the FDIC's inspector general investigate the agency's earlier findings.

Andrew C. Hove Jr., acting chairman of the FDIC, responded Friday by instructing the IG to examine whether the Rose firm had "any conflicts of interest or other improprieties..." when it helped the government sue S&L wrongdoers.

The FDIC's decision to reconsider the conflicts issue was a victory for Republicans who incessantly attacked the issue during a Senate Banking Committee hearing Thursday.

One of the potential conflicts cited by Hove involved Mrs. Clinton's

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representation of federal regulators in a savings and loan case against a family friend and political supporter.

The FDIC previously concluded that Mrs. Clinton spent just two hours of work on the case. Her activities appeared to involve reviewing an amended complaint, in which the judgment being sought was reduced from $ 3 million to $ 200,000, the FDIC said.

The FDIC also concluded this month that it could find no evidence of a conflict in the Madison case.

The government had taken control of Madison after it failed in 1989 and had hired Mrs. Clinton's firm to sue Madison's former accountants for negligence and breach of contract. The case was handled by Rose partner Webster Hubbell, now the No. 3 official in the U.S. Justice Department.

Four years before the contract was awarded, Rose firm lawyers, including Mrs. Clinton, worked for Madison in regards to its failure on a state regulatory matter.

But it was a second matter in the Madison case that caught the attention of regulators.

FDIC lawyer Paul A. Jeddeloh wrote Breslaw in a June 8, 1989 memo that Hubbell's father-in-law, Seth Ward, had extensive financial dealings with the S&L and had recently won a $ 447,000 judgment against it.

In addition, Hubbell's brother-in-law, Seth Ward II, has also sued Madison, Jeddeloh noted,

"I offer this information because there appears to be a conflict in representation and a question of loyalties. Mr. Hubbell may or may not be able to compromise our interests in the Seth Ward matter" in which the FDIC was appealing the judgment, the memo said.

On Aug. 10, 1989 a federal credit specialist, Ken K. Schneck, wrote an FDIC official that in the suit against the Madison accountants, information on the institution's practices would be made available to Hubbell.

"To believe that none of this information will make it back to his family is naive," the letter said. "I do not know whether or not any information upcoming will be damaging. However, I would like someone with a wide scope of authority to review the situation and possibly eliminate this conflict."

Breslaw, the FDIC attorney who received the warnings, rejected them, writing a regulator in charge of Madison that it was "important to keep things in perspective."

She said Hubbell was not representing his in-laws against the government and was "involved only in an indirect way" in working for government regulators. Another partner in the Rose firm was the primary lawyer in representing the government, Breslaw said.

Under the regulations in place at the time, regulators could disqualify a contractor if they learned of an actual conflict - like a law firm helping sue

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LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 28, 1994

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February 28, 1994, Monday, PM cycle

ADVANCED-DATE: February 25, 1994, Friday, PM cycle

SECTION: Domestic News

LENGTH: 1033 words

HEADLINE: Passion for Land Deals, Politics Motivated Key Figure in Clinton Probe

BYLINE: By DAN SEWELL, Associated Press Writer

DATELINE: ARKADELPHIA, Ark.

BODY

He loved politics and he loved land speculation, and the combination is what makes James McDougal's relationship with Bill Clinton the subject today of a special prosecutor's investigation.

McDougal makes light of the matter in a joke that is itself revealing.

"I don't think I'll ever make it up to the stature of Billie Sol Estes," he says.

Many Americans have forgotten that name, but the tie between the Texas wheeler-dealer and his friend, Lyndon B. Johnson, caused months of consternation in the Johnson White House when Estes was convicted of fraud in a fertilizer tank scam.

Three decades later, McDougal is causing similar heartburn for the Clinton administration. His past ties to the president transformed a routine investigation of McDougal's failed savings and loan into a politically charged probe of the first family.

McDougal's involvement with politics stretches back to when he was a garrulous 12-year-old helping run his father's general store. He loved chatting with politicians and, if he liked them, he'd talk them up with customers.

The youth's political acumen was rewarded with patronage jobs, first as a Statehouse clerk then as a U.S. Senate worker under Arkansas Democrat John McClellan.

But it was his work for one of Arkansas' most famous politicians, Sen. J. William Fulbright, that brought McDougal into contact with Clinton as workers

during the 1968 election.

The two shared a passion for politics - and once a tongue-lashing from the senator for having long hair.

Fulbright was victorious. And the ambitious Clinton moved on to Oxford to study. McDougal remained until Fulbright lost re-election in 1974.

Later, McDougal would visit Clinton in Fayetteville, where the future president was teaching law at the University of Arkansas. He would stay at Clinton's rented home and spend hours discussing books, politics and ideas. He remembers the pair rushing out together for a sale on dress pants.

"It was just a regular friendship with someone you just feel comfortable with," McDougal says. "We agreed on a lot of things."

In between Senate jobs, McDougal dabbled in various business enterprises. He was successful enough to party as much as he wanted - which he acknowledges was "a lot" - and he wound up in Alcoholics Anonymous.

There he found his way back to sobriety, and met a friend who urged him to try his hand in land investment.

Within a year, he had made $ 16,000, a handsome profit for someone whose salary in 1969 was just $ 10,000. "I found it to be a very pleasant sensation," McDougal recalls.

Soon, he was trolling for more deals, buying farm land low and selling it high for development. He shared ventures with friends.

"It was my social life," McDougal explains. "It's like other people saying to their friends: 'Are we going to go down to the country club and play golf this Saturday?' I'd say: 'You want to go out with me to buy that land?'"

By the late 1970s, he had brought Fulbright, Clinton gubernatorial aide Stephen Smith and future Gov. Jim Guy Tucker into deals.

One summer evening in 1978, McDougal ran into Bill and Hillary Rodham Clinton at a Black-Eyed Pea restaurant. He invited them to join him in an venture to build a bustling vacation and retirement community along the White River in northern Arkansas' Ozark Mountains.

They became 50-50 partners with McDougal and his wife Susan in Whitewater Development Corp.

Clinton, then attorney general, was soon elected governor, and McDougal joined his staff as an economic development adviser. McDougal quit after a year, saying the job was costing him opportunities. He got into banking.

In 1982, McDougal unsuccessfully took on Republican congressman John Paul Hammerschmidt, capturing only 35 percent of the vote while spending $ 100,000 of his own money.

"That was the one big outing of my life," says McDougal, who often campaigned at the same meetings as then-gubernatorial candidate Clinton. "I'd like making

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the speeches, throwing the tables around, spreading the old-time religion."

About the same time, McDougal bought control of what would become Madison Guaranty S&L. He formed a subsidiary and spent most of his time working on land deals.

McDougal, however, collided with the tide of concern about overextended S&L's. Federal examiners clamped down on Madison, and it failed in 1989.

McDougal suffered a stroke, battled clinical depression and was ousted from Madison. His speculative land ventures went sour.

In 1990, he was tried and acquitted on fraud charges related to Madison. After divorce and bankruptcy, he moved to Arkadelphia, a city of 10,000 in south Arkansas, to share a trailer home with his ailing mother.

All seemed behind him.

But then Clinton rose to the presidency and new questions, spurred by regulators reviewing his S&L, arose about their past business dealings. Among them was whether S&L funds were illegally diverted to Whitewater, Clinton, or other prominent Arkansans.

Clinton has steadfastly denied any wrongdoing. But a growing political furor forced the administration to appoint special prosecutor Robert Fiske to investigate.

McDougal insists he is innocent, saying he'd take a lie-detector test to assert Clinton has done nothing "illegal, immoral, dishonest or unethical."

He says he still considers Clinton a friend although the two last talked on the night of his 1990 acquittal.

But there was another call, one that makes McDougal's eyes flash. He says it came after the 1992 election to his mother, who died last year.

"She said Bill called and he had a really important job for you if you weren't mad at him," McDougal says. He agrees that it wouldn't have been a good political move, but adds: "The irritation was he told my mother this, falsely raised her hopes."

A spokesman for the White House did not return calls seeking comment.

McDougal says he isn't bitter.

"To be a successful politician you have to be totally egocentric. That's what these guys are," he says. "I've been around politicians since I was 12 years old. I never expected anything different."

EDITOR'S NOTE: Dan Sewell is The AP's Southeast Regional Writer based in Atlanta.

End Adv Monday PM Feb. 28

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The Associated Press

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February 28, 1994, Monday, AM cycle

SECTION: Washington Dateline

LENGTH: 729 words

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DATELINE: WASHINGTON

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The Associated Press

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February 28, 1994, Monday, AM cycle

SECTION: Domestic News

LENGTH: 484 words

HEADLINE: The President Comes Up 22 Times In Criminal Pre-Trial Hearing

BYLINE: By PETE YOST, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

President Clinton's name was repeatedly brought up Monday in a Whitewater case involving a former judge who says Clinton pressured him into making a $ 300,000 government-backed loan.

At a court hearing, special prosecutor Robert Fiske defended his case against David Hale, who is facing a March 28 trial on charges of conspiracy and lying to the Small Business Administration.

Hale alleges he was forced to make hundreds of thousands of dollars in loans by figures in the Arkansas political establishment, including Clinton and Arkansas Gov. Jim Guy Tucker.

And Hale's lawyer, Randy Coleman, served notice he intends to drench his client's upcoming trial with the names of the president and the current Arkansas governor.

Clinton was mentioned by name or title 22 times in an hour and a half of courtroom testimony - Tucker's came up seven times - as Coleman argued that the indictment against his client should be dismissed.

Coleman said the charges were tainted by the prosecutor who brought them originally, U.S. Attorney Paula Casey. Casey had a conflict of interest, said Coleman, because she worked in Clinton's gubernatorial campaigns and her husband is an Arkansas state official working for Tucker.

"Are you saying your client never would have been indicted or that he would have been standing in the dock" with Mr. Clinton and Gov. Tucker if Casey hadn't been involved? asked U.S. District Judge Stephen Reasoner.

Coleman declined to go that far, but he noted that Casey rejected Hale's offer to give testimony against Clinton and Tucker in exchange for a reduction in charges.

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Nobody in Casey's office "was very interested in hearing about our former governor, now president, and our governor," Coleman told the judge.

Casey eventually removed herself from the case, giving way to Justice Department prosecutors from Washington and eventually to Fiske. He was appointed last month to look into the Clintons' involvement in an Ozarks real estate venture known as Whitewater.

With a new prosecutor and a new indictment against Hale, if there was any taint before, there is not now, Fiske told the judge, who then rejected Hale's motion to dismiss the indictment.

Hale's allegation concerning Clinton concerns a $ 300,000 loan that went to the wife of Clinton business partner James McDougal, the operator of Madison Guaranty Savings and Loan. The Clintons and McDougals were partners in Whitewater.

Hale said he authorized the loan from his firm, Capital Management, after two meetings with Clinton. In one, said Hale, Clinton asked him whether he was going to help.

In the second meeting, said Hale, the governor said his name could not be associated with the transaction.

The White House says Clinton has no recollection of ever talking to Hale about such a loan. White House spokeswoman Dee Dee Myers said Hale made up the story in an attempt to avert an indictment.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: February 28, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
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Carl Gamble
Trudy Walsh
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 2, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are four (4) news articles from Nexis, relating to Madison Guaranty, dated March 1, 1994.

LEVEL 1 - 1 OF 5 ITEMS

The Associated Press

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March 1, 1994, Tuesday, PM cycle

SECTION: Domestic News

LENGTH: 758 words

HEADLINE: Indicted Judge Boasted That Clinton Involved in Loan Firm, Witness Says

BYLINE: By PETE YOST, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

A former judge declared four years ago that Bill Clinton was involved in a loan company that is now part of the Whitewater criminal investigation, according to testimony by a Louisiana businessman.

Gayland Westbrook said in federal court Monday that David Hale of Little Rock insisted that all his lending practices were legal because "the governor of Arkansas" was connected to the company.

Hale - a former municipal judge accused of conspiring to defraud the Small Business Administration - alleges he was pressured by Clinton into making a $ 300,000 government-backed loan to the wife of S&L operator James McDougal. The McDougals were partners with Bill and Hillary Rodham Clinton in the Whitewater land development venture.

Meanwhile in Washington, the ranking Republican on the Senate Banking Committee said today the panel should place top Clinton administration officials under oath, to testify about a briefing provided top White House officials on the Whitewater affair.

Sen. Alfonse D'Amato, R-N.Y., said sworn testimony is needed because administration officials have provided "a fairy tale version" of the briefing by Deputy Treasury Secretary Roger C. Altman.

Altman disclosed last week that he gave the White House counsel and other senior officials a "heads up" on the Resolution Trust Corp.'s Whitewater investigation. Altman, who is acting head of the RTC, said the briefing was limited to procedural matters.

Press Secretary Dee Dee Myers today defended the propriety of the White House briefing and accused Clinton's critics of trying to use the issue to hurt him politically.

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"There was nothing inappropriate about it," Myers said of the briefing. "We're not going to jump every time somebody tries to make a political issue out of Whitewater. A number of people are trying to make this a political issue."

Clinton and Arkansas Gov. Jim Guy Tucker were repeatedly mentioned by name or title during a day of courtroom testimony, as Hale lawyer Randy Coleman argued that the indictment against his client should be dismissed.

He argued that the prosecutor who originally brought the charges has a conflict because she worked on Clinton's gubernatorial campaigns and her husband is a political appointee of Tucker, said Coleman.

U.S. District Judge Stephen Reasoner declined to dismiss the indictment.

The White House has been contemptuous of Hale's allegation of pressure from Clinton on the $ 300,000 loan, calling Hale a liar who made up the story last September in an attempt to avoid indictment.

In a pre-trial hearing for Hale and his two co-defendants in U.S. District Court, Westbrook of Monroe, La., said he spoke to Hale in his Little Rock office in August 1989 at the direction of Harry Townsend, a part owner of Westbrook's computer company. Townsend told Westbrook that Hale would lend him money, Westbrook testified.

But in the meeting with Hale, Westbrook questioned Hale about the fact that he and Townsend were using borrowed capital and showing it to the Small Business Administration as invested capital - which in turn enabled Hale to get $ 900,000 from SBA.

When Westbrook asked Hale whether that was legal, "he kind of got indignant," Westbrook said of Hale, "and he said, 'The governor of Arkansas is involved in this. Son, the governor of Arkansas wouldn't be involved in this if we were doing anything illegal.'"

"The temperature in the room dropped about 30 degrees when I confronted him" about whether it was legal, Westbrook said in an interview after his court appearance.

Hale and his co-defendants - broker Charles Matthews and attorney Eugene Fitzhugh - have pleaded innocent. They face a March 28 trial, accused of conspiring to defraud the SBA. Hale also is accused of lying to the SBA.

Westbrook's wife, Doris, corroborated her husband's testimony, saying she witnessed the 1989 conversation between Hale and her husband.

"I was impressed" by Hale's assertion that there was a Clinton connection, she told reporters following Westbrook's court appearance.

Westbrook said Hale never mentioned anything more about Clinton's supposed involvement in Hale's firm, Capital Management.

In addition to handling the Hale prosecution, Fiske is investigating the partnership of the Clintons and S&L operator McDougal in an Ozarks real estate

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venture called Whitewater. Fiske is trying to determine whether any benefits from Hale's Capital Management or McDougal's failed S&L, Madison Guaranty, went to Clinton and other Arkansas politicians in exchange for official favors.
LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 1, 1994

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LEVEL 1 - 2 OF 5 ITEMS

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Los Angeles Times

March 1, 1994, Tuesday, Home Edition

SECTION: Part A; Page 15; Column 2; National Desk

LENGTH: 634 words

HEADLINE: CLINTON NAME TIED TO DEAL, WITNESS SAYS;
ARKANSAS: EX-JUDGE CHARGED WITH FRAUD IS SAID TO REASSURE POTENTIAL BORROWER BY CITING GOVERNOR'S INVOLVEMENT. PRESIDENT HAS DENIED LINK.

BYLINE: By SARA FRITZ, TIMES STAFF WRITER

DATELINE: LITTLE ROCK, Ark.

BODY

A former Little Rock judge now charged with fraud invoked the name of then-Gov. Bill Clinton during a 1989 business deal to reassure a potential borrower who expressed concern that federally guaranteed funds were being used improperly, according to testimony heard Monday in a Whitewater-related case in federal court here.

"Son, the governor of Arkansas wouldn't be involved in this if we were doing anything illegal," a witness said he was told.

The testimony came in the case of former Little Rock Municipal Judge David Hale, who is accused of defrauding the government of hundreds of thousands of dollars by misusing a federal program to aid small business. Hale claims that his legal troubles began when he had a meeting with Clinton in which he says Clinton pressured him to make a $300,000 loan to Susan McDougal, a partner with the governor in the Whitewater real estate development.

A portion of the loan ended up in the Whitewater venture.

Clinton has denied that he had any such dealings with Hale.

The testimony referring to Clinton came from Gayland Westbrook of Monroe, La., who appeared during a hearing on pretrial motions in the Hale case. Westbrook recalled that he visited Hale during the summer of 1989 because he wanted to borrow $75,000 for a computer business from a government-backed small business investment corporation that Hale operated.

Westbrook, who was called to the stand by an attorney for one of Hale's co-defendants, said he had reason to suspect that Hale was violating the laws governing operation of a small business investment corporation.

Hale and two co-defendants are now charged with operating the firm, Capital Management Services, in a manner that cost taxpayers $900,000.

When Westbrook asked Hale about apparent improprieties, Westbrook said, Hale

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invoked Clinton's name and said the governor would never be involved in illegalities. He said Hale did not elaborate on the remark.

Clinton, who served as governor of Arkansas until shortly before he became President in January, 1993, has denied meeting with Hale or asking him to loan money to McDougal. He also has denied knowing that any such funds were improperly used to finance the Ozark real estate investment known as Whitewater Development Corp. in which Clinton and his wife were partners.

In another development, U.S. District Judge Stephen Reasoner, who will hear the fraud case against Hale and two co-defendants, agreed to allow Whitewater independent counsel Robert B. Fiske Jr. to prosecute Hale -- even though the case technically is unrelated to the Whitewater affair. The ruling was a victory for Hale, whose defense depends on connecting his actions to Clinton and Whitewater.

Fiske was appointed more than a month ago by Atty. Gen. Janet Reno to investigate allegations that Clinton and his wife, Hillary, may have benefited improperly from their joint real estate investment with McDougal and her husband, James, owner of a failed savings and loan.

A separate grand jury will soon be impaneled in Little Rock to hear evidence presented by Fiske and his staff relating directly to Whitewater. Before Fiske took charge of the case, Hale tried without success to trade his testimony about Clinton for leniency.

While not conceding guilt in the fraud case, Hale asserts that his actions were necessary to save his small business investment corporation from insolvency after he made $700,000 in bad loans to the McDougals -- including the money that was diverted to Whitewater.

In Washington on Monday, Sen. Alphonse M. D'Amato (R-N.Y.), ranking Republican on the Senate Banking Committee, released documents showing that two federal regulators objected in 1989 when Mrs. Clinton's law firm was chosen to represent the government in the case of McDougal's failed thrift.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 2, 1994

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LEVEL 1 - 3 OF 5 ITEMS

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The Washington Times

March 1, 1994, Tuesday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1045 words

HEADLINE: Clinton linked to SBA deal in 1989 ;
Boasts by Hale predated charges

BYLINE: Jerry Seper; THE WASHINGTON TIMES

DATELINE: LITTLE ROCK, ARK.

BODY

LITTLE ROCK, Ark. - A Louisiana businessmen testified yesterday that David L. Hale - nearly five years before his indictment in the Whitewater-Madison affair - told him that Gov. Bill Clinton was an active player in his Small Business Administration-approved lending agency.

During a pretrial hearing in U.S. District Court for Mr. Hale and his two co-defendants on charges of conspiring to defraud the SBA, Gayland Westbrook, a Monroe, La., computer service owner, said the link to Mr. Clinton was made in August 1989 during a meeting at Mr. Hale's Capital-Management Services Inc. in Little Rock and was witnessed by his wife, Doris.

"Hale said, 'Son, the governor of Arkansas wouldn't be involved in this [company] if we were doing anything illegal,' " Mr. Westbrook testified under oath.

Mr. Hale has accused Mr. Clinton and James B. McDougal, owner of Madison Guaranty Savings and Loan Association, of pressuring him into approving an illegal $300,000 loan, a large part of which ended up in the Whitewater Development Corp., a real estate venture owned by Mr. Clinton, Mr. McDougal and their wives.

The White House has said that Mr. Hale, who was named last week in a fraud and conspiracy indictment by Whitewater-Madison special counsel Robert B. Fiske Jr., fabricated Mr. Clinton's involvement in the illegal loan "to save his butt" against pending federal charges.

Mr. Westbrook's testimony, however, indicates that years before Mr. Hale's current legal problems he was boasting of ties to Mr. Clinton.

And the president clearly will figure prominently in the Hale case as it unfolds here. During yesterday's hearing, Mr. Clinton was mentioned by name or title 22 times - mostly by Mr. Hale's attorney, Randy Coleman.

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Mr. Westbrook, 46, said yesterday that the comment about Mr. Clinton came after he asked Mr. Hale if the proposed loan - which was never granted - was legal.

Mrs. Westbrook, who did not testify but was in the courtroom, confirmed that she heard the comment, adding, "I was very impressed."

Mr. Fiske, who marshaled his forces yesterday for the first public hearing in his Whitewater-Madison probe, took over the Hale case after his Jan. 20 appointment by Attorney General Janet Reno as special counsel.

Last week, he filed a superseding indictment in the Hale case to replace an indictment filed Sept. 23 by U.S. Attorney Paula J. Casey, a Clinton appointee.

Mrs. Casey, citing a potential conflict of interest, later recused herself.

Mr. Fiske has described Mr. Hale's pending testimony as "essential" to the Whitewater-Madison investigation.

"In order to investigate this allegation [Mr. Clinton's alleged action in the $300,000 loan], it is imperative that we interview defendant Hale or compel his testimony," Mr. Fiske said in a court motion. "This cannot be done until the present case has been resolved."

Miss Reno assigned Mr. Fiske to investigate charges of financial irregularities involving the Clintons, the McDougals, Madison and the Whitewater project - a 230-acre real estate development in northern Arkansas.

Mr. McDougal, who purchased Madison in 1982, is suspected of diverting depositors' money from the S&L to Mr. Clinton's 1984 gubernatorial re-election campaign, using overdrawn accounts and Madison-approved loans. He also is accused of diverting the S&L's money to Whitewater.

The Clintons and McDougals have denied any wrongdoing in connection with the Whitewater project and the now-defunct S&L.

Mr. Hale, a former county municipal judge and a longtime Democratic Party activist in Arkansas, was indicted with co-defendants Charles Matthews and Eugene Fitzhugh on charges of defrauding the SBA on loans not related to Whitewater-Madison.

The three lawyers are accused of putting $800,000 into a Capital-Management account long enough to qualify for additional SBA money, then taking it out. They are also accused of transferring the money from the SBA account to the Fitzhugh Foundation in November 1988.

Mr. Hale is charged with conspiracy and making false statements to influence the SBA. Mr. Fitzhugh and Mr. Matthews are charged with conspiracy.

All three have pleaded not guilty.

Mr. Westbrook also testified that a second Louisiana man, Harry Townsend, had sent him to Mr. Hale's office to discuss the loan. Mr. Westbrook told

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U.S. District Court Judge Stephen Reasoner about an elaborate loan scheme in which federal funds were manipulated to generate profits for those involved.

Mr. Fiske's office has interviewed Mr. Townsend, a Shreveport, La., businessman whose money reportedly was used in the Hale-Matthews-Fitzhugh fraud scheme. He has not been indicted, but federal officials have said that other "defendants" may be named in the case.

Mr. Westbrook told reporters following his testimony that he had not been interviewed by federal authorities. That changed immediately after the hearing, as FBI agents and federal prosecutors talked with him at length.

Judge Reasoner allowed nearly four hours of unusual testimony from Mr. Westbrook and Mr. Matthews in the case.

Mr. Matthews and Mr. Fitzhugh have argued that their cases should be severed from that of Mr. Hale. A ruling on their motions is expected when the hearing continues today.

In other action yesterday, the judge:

*Denied a motion by all three defendants to have the charges thrown out. They argued that the Fiske indictment was "tainted" because it was based, in part, on evidence presented by Mrs. Casey.

Mr. Fiske said attorneys he hired to investigate Whitewater-Madison have re-investigated the Hale case and the new indictment was based on their efforts.

*Denied objections by Mr. Hale and Mr. Fitzhugh challenging Mr. Fiske's jurisdiction in the case. They argued that Mr. Fiske had been assigned to investigate Whitewater-Madison and the pending charges did not relate.

Judge Reasoner said the charter approved by Miss Reno for Mr. Fiske's inquiry allowed him broad jurisdiction, including the right to take over the Hale case.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 1, 1994

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LEVEL 1 - 4 OF 5 ITEMS

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The Washington Times

March 1, 1994, Tuesday, Final Edition

SECTION: Part A; NATION; INSIDE POLITICS; Pg. A8

LENGTH: 1615 words

BYLINE: Alan McConagha; THE WASHINGTON TIMES

BODY

MARCH PRIMARIES

March enters like a lion for several incumbents. The nation's first primaries come this month: a week from today in Texas; two weeks hence in Illinois.

Rep. Craig Washington is seen as an underdog in his race with a fellow Democrat, City Council member Sheila Jackson Lee, in Houston. Mr. Washington replaced Rep. Mickey Leland, who died in 1989.

Democratic Rep. Gene Green is challenged by City Council member Ben Reyes, a Hispanic candidate who narrowly lost to him two years ago in another Houston district. Roll Calls calls this a "grudge" match with personal and racial overtones.

In Illinois, the venerable Republican Rep. Philip M. Crane is under heavy attack from another conservative, state Sen. Peter G. Fitzgerald, as well as moderate Republicans Gary Skoien and Judy McCracken Svenson in suburbs northwest of Chicago.

Of course none of these get the attention of the Democratic contest in Illinois' 5th Congressional District. President Clinton was there yesterday to support the embattled Rep. Dan Rostenkowski, Ways and Means chairman.

HOW'S THAT AGAIN?

During President Clinton's trip to Connecticut last week, Ronald Ziegler, former Nixon press secretary who now is president of the National Association of Chain Drugstores, said, "We should stand by President Clinton" and praised the health plan drawn by Hillary Rodham Clinton, once a young lawyer on the House committee investigatihg Watergate.

TEFLON PRESIDENCY

President Clinton has some of Ronald Reagan's ability to defy political gravity, said Jack Nelson in the Los Angeles Times.

Despite controversy over his private conduct and deep-seated opposition, Mr.

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Clinton rises in the polls and his foes no longer discount his capacity for an effective counterattack.

"A lesser politician" says GOP pollster Richard B. Wirthlin, would have "crashed and burned a long time ago." Mr. Wirthlin, says that while he disagrees with the president on most major issues, he is "a superb politician."

His success derives from a rising economy and legislative wins. It is also attributable to a style and skills that allow him to exploit issues and connect to the voters as an imperfect but well-meaning problem-solver.

Mr. Clinton also is optimistic in public even when the news is bad. "Americans tend to find that a likeable quality in a president, political strategists agree," Mr. Nelson wrote.

He quotes Reagan image-maker Michael Deaver as saying he didn't worry about setbacks if he could "just get Reagan's smiling face on television."

Mr. Deaver told Mr. Nelson that Mr. Clinton "has the same kind of appeal - normally with a smile on his face and an attitude of enthusiasm about what he's doing. And that goes a long way."

FUTURES

State Rep. Dwight Evans became the sixth Democrat to announce a run for the Pennsylvania governor's mansion. Mr. Evans, who is black, is chairman of the state House Appropriations Committee. Lt. Gov. Mark Single is regarded as a vulnerable front-runner.

POLITICAL FACTOID

Nationwide, shoplifting costs small business between $5 billion and $8 billion a year, according to the Better Business Bureau of Western New York as relayed by the Wall Street Journal.

TODAY'S QUOTE

"I resent the fact that people compare me to comedic actors, though there's probably some grounds for physical resemblance," says Hugh Rodham, brother-in-law of President Clinton. Mr. Rodham declared his candidacy yesterday against Sen. Connie Mack, Florida Republican.

ARKANSAS ASSESSMENT

Arkansas Business recently did a rundown on winners and losers after a year of the Clinton presidency.

Winners included White House Chief of Staff Thomas F. "Mac" McLarty, Little Rock, Capital Hotel, McDonald's, Sen. David Pryor, Roger Clinton, decorator Kaki Hockersmith, local news organizations.

Losers: Rose Law Firm, Associate Attorney General Webster Hubbell, Gov. Jim Guy Tucker, Country Club of Little Rock, Rep. Ray Thornton, Gennifer Flowers, the Vincent Foster Jr. family, Stephens Inc., Cliff Jackson, Arkansas

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Democrat-Gazette.

Jury Still Out: White House aide Bruce Lindsey, Sen. Dale Bumpers, Surgeon General Joycelyn Elders, Rep. Blanche Lambert, the people of Arkansas, state Democratic and Republican parties.

ARMEY: 'NOT '96'

Rep. Dick Armey, the Texas Republican who slept in a congressional gymnasium room when he first came to Congress to avoid the expense of an apartment, now has his eye on some more prestigious lodgings: the White House.

The Fort Worth Star-Telegram says Mr. Armey admits talking with his staff about the possibility of running for president. But he stresses he has no firm plans and said he will "absolutely not" be a candidate in 1996.

Mr. Armey, the third-ranking House Republican leader, said he started thinking about a presidential campaign after several conservative activists suggested the idea to him.

While intrigued by the possibility that was underscored in a recent Washington Post profile, Mr. Armey said he is deeply reluctant to commit himself to the rigors of a nationwide campaign.

"It would take a compelling sense of duty before I would make that kind of a sacrifice. It is not something I can look forward to with a lot of joy," he said.

"I'm still wrestling with delusions of adequacy; I haven't upgraded myself to delusions of grandeur yet."

THREE STRIKES - OUT

"Sounds American. Fits on a bumper. Postures tough. Every anxious politician has rushed to support it. Yet, as Attorney General Janet Reno said before she was muzzled, and as former Deputy Attorney General Philip Heymann said once free to speak, the proposal makes no sense," said the Rev. Jesse Jackson of the mandatory sentencing legislation.

FLYNN: MISSING HOME

Former Boston Mayor Raymond Flynn loves being U.S. envoy to the Vatican but finds it frustrating and thinks often of home, says the Boston Globe.

Mr. Flynn has never breached protocol or embarrassed his country in his role of emissary to global suffering, the Globe adds, "but in his own, grand, political public-relations terms, he's been something of a flop."

"Every time he submits to the quiet work of diplomacy, he disappears; every time he presses for attention he raises the ire of the State Department and appears grasping, almost childish in his desire for credit."

Noting Mr. Flynn is considering running for governor, the Globe adds, "His frustration, he says, has been his inability to translate his diplomatic work to

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his once and perhaps future constituents back home."

SHRINKING POLITICIANS

One impact of television is to make politicians less grand than they once were, observes the Chicago Tribune.

In his report on television and American politics, writer Jon Margolis says that in order to appeal to voters, candidates now come into their living rooms.

"They enter those rooms about nine inches tall, often sitting on a couch in front of a fake living-room set talking to an entertainer.

"That doesn't provide the kind of gravitas associated with presidents such as Franklin D. Roosevelt or Dwight Eisenhower or senators such as Richard Russell and Everett Dirksen."

Joshua Meyrowitz, of the University of New Hampshire, is quoted as saying, "We could decide to re-create a sense of awe about our leaders only if we agreed never to show them on television close up."

WILHELM ZAPS D'AMATO

David Wilhelm, chairman of the Democratic National Committee, took on Sen. Alfonse M. D'Amato, New York Republican, who led the GOP attack on Whitewater in last week's hearing of testimony from banking regulators.

Mr. Wilhelm wrote Mr. D'Amato that his actions reflect a "clear pattern of conflict of interest over savings and loans and other business interests" and cited a probe of activity by Mr. D'Amato's brother, Armand.

Noting Mr. D'Amato seeks to extend the statute of limitations in the Madison Guaranty case, Mr. Wilhelm suggested he is "a more appropriate target" for such an extension of grand jury testimony in a 1975 episode in New York's Nassau County.

Mr. D'Amato responded that Mr. Wilhelm's letter "only reconfirms my suspicion that something is rotten in Little Rock" and lamented his "despicable" attempt to "interject political intimidation into this process."

FISH FLAP

If you like spotted owls, you're going to love salmon.

Interior Secretary Bruce Babbitt says saving what's left of the Pacific Northwest salmon runs is going to make protecting the owl look like a day at the beach, according to Scripps Howard News Service.

"We'll be driven to dealing with the Bureau of Reclamation, the Corps of Engineers, the Bonneville Power Authority, all the state agencies, a couple dozen Indian tribes, Canada, the sovereign nation of Alaska, Russia, Japan, high-seas fishing" and on and on, said Mr. Babbitt, with a little dig at his environmental friends in the 49th state.

And there's more. The Fish and Wildlife Service announced it will consider

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listing New England Atlantic salmon as endangered.

TIME MACHINE

In another example of the changes wrought by time, consider Spiro Agnew, vice president from 1969 to 1973 when he resigned in the face of petty corruption charges at the height of the Watergate crisis. Roll Call reports that a sculptor is hard at work on his bust. It will grace the hallway outside the Senate.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 1, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Trudy Walsh
Paula Stone
Lisa D. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 3, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are seven (7) news articles from Nexis, relating to Madison Guaranty, dated March 2, 1994.

LEVEL 1 - 1 OF 7 ITEMS

Copyright 1994 The New York Times Company

The New York Times

March 2, 1994, Wednesday, Late Edition - Final

SECTION: Section A; Page 12; Column 6; National Desk

LENGTH: 736 words

HEADLINE: PUSH TO WITHHOLD A SUICIDE REPORT

BYLINE: By NEIL A. LEWIS, Special to The New York Times

DATELINE: WASHINGTON, March 1

BODY

The independent counsel investigating the involvement of Bill and Hillary Clinton in an Arkansas real estate venture has asked a Federal judge to prevent the release of a police report on the apparent suicide of Vincent W. Foster Jr., a longtime friend of the Clintons and the deputy White House counsel at his death.

The independent counsel, Robert B. Fiske Jr., said in a letter introduced on Monday in Federal court in Manhattan that his investigation would include a detailed look at Mr. Foster's death last July. Mr. Fiske said that making the Park Police report public now would hinder his investigation because witnesses' testimony could be tainted by knowledge of the report.

The letter was offered in support of a Justice Department effort to delay release of the report, which The Wall Street Journal has sued to obtain.

"The investigation into the events surrounding Mr. Foster's death will be thorough and complete," Mr. Fiske wrote. He identified several prosecutors who will look into the Foster matter along with several agents from the Federal Bureau of Investigation.

In addition, he said, Mr. Foster's death will be examined by forensic experts and pathologists.

Mr. Foster, a boyhood friend of Mr. Clinton in Arkansas and a law partner of Hillary Rodham Clinton, committed suicide last July 20, according to the United States Park Police, which investigated the death because it occurred on Federal parkland. Mr. Foster, the police said, left his White House office in the early afternoon and drove to Fort Marcy, a small park across the Potomac in Virginia, and took his life with an antique pistol.

Complaints of Meddling

Law-enforcement officials who have seen the report said the Park Police had complained that Bernard W. Nussbaum, the White House counsel, repeatedly interfered with efforts to look into the circumstances of the death. Mr.

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Nussbaum has said that he did nothing improper.

While the finding of suicide has been largely accepted, the death has generated other speculation about Mr. Foster because he handled the Clintons' personal business. Mr. Nussbaum combed Mr. Foster's files in the presence of law-enforcement officials and deemed that none of the papers were relevant to their investigation of the death.

One file concerned the Whitewater Development Company, an Arkansas real estate concern in which the Clintons invested. Their partner in the venture was James B. McDougal, who also owned an Arkansas savings institution that failed, costing taxpayers about $60 million. Mr. Fiske is looking into whether money from Mr. McDougal's institution, Madison Guaranty Savings and Loan Association, was improperly used to shore up Whitewater.

Mr. Nussbaum transferred the file to the Clintons' personal lawyer, David Kendall, and it has since been turned over to the Justice Department under threat of a subpoena.

Seeking More on Briefing

The White House faced another threat connected with Whitewater today as Senator Alfonse M. D'Amato of New York said the Senate Banking Committee should force some senior Administration officials to testify about a briefing of top White House aides on the Whitewater affair.

Senator D'Amato, the ranking Republican on the committee, said sworn testimony was needed because Administration officials had provided "a fairy-tale version" of the briefing by Roger C. Altman, the acting head of the Resolution Trust Company, the agency overseeing the Federal bailout of the savings and loan industry.

Mr. Altman acknowledged on Thursday under questioning from Republicans on the Senate Banking Committee that he had held a meeting on the matter in early February with three White House officials -- Mr. Nussbaum; the deputy chief of staff, Harold M. Ickes, and Mrs. Clinton's chief of staff, Margaret A. Williams.

Mr. Altman, who is also the Deputy Treasury Secretary, said through a spokesman on Friday that he would avoid any future involvement in the agency's investigation of Madison Guaranty.

The White House press secretary, Dee Dee Myers, today defended the White House briefing and said critics were trying to use the issue to hurt Mr. Clinton politically.

"There was nothing inappropriate about it," Ms. Myers said of the briefing. "We're not going to jump every time somebody tries to make a political issue out of Whitewater. A number of people are trying to make this a political issue."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 2, 1994

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LEVEL 1 - 2 OF 7 ITEMS

Copyright 1994 The New York Times Company: Abstracts
WALL STREET JOURNAL

March 2, 1994, Wednesday

SECTION: Section A; Page 10, Column 4

LENGTH: 33 words

HEADLINE: A WHITEWATER WHITEWASH

BYLINE: BY BLANCHE D'ALPUGET

ABSTRACT

Senator Alfonse D'Amato article calls on Congress to use its oversight capacity to protect the integrity of any investigation into the Whitewater/Madison affair; drawing (M)

GRAPHIC: Diagram

LANGUAGE: ENGLISH

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LEVEL 1 - 3 OF 7 ITEMS

Copyright 1994 The Washington Post
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March 2, 1994, Wednesday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 1165 words

HEADLINE: Law Firm Probing Hubbell;
Billing Irregularities Alleged;
Clinton Aide Denies Wrongdoing

SERIES: Occasional

BYLINE: Susan Schmidt, Washington Post Staff Writer

BODY

The Rose Law Firm in Little Rock, Ark., has been investigating the billing practices ofAssociate Attorney General Webster L. Hubbell during the time he was a partner in the Rose firm. The investigation, which is being conducted by senior partners of the firm, focuses on whether Hubbell overbilled clients and used law firm money to pay for personal expenses, according to sources close to the firm.

The internal investigation began in the summer of 1992, and the firm is considering notifying the Resolution Trust Corp. and several other major clients of billing irregularities, according to a source familiar with the matter. The firm also has been weighing whether to inform the state bar association.

The RTC, the federal agency overseeing the savings and loan industry, was among the major clients Hubbell handled for Rose, one of Arkansas' oldest and most prestigious law firms. In addition to Hubbell, its former partners include First Lady Hillary Rodham Clinton and the late Vincent Foster, who served as deputy White House counsel before his suicide last July.

The pace of the Rose firm's inquiry has sped up in recent weeks as the law firm was subpoenaed in a criminal investigation by special counsel Robert B. Fiske Jr., who is investigating President Clinton's Whitewater land venture and the failed Madison Guaranty Savings & Loan, a former Rose firm client.

Asked whether Hubbell had overbilled clients or used the firm's money to pay for personal expenses, Hubbell's attorney, John Nields, said, "No, that did not happen." He said he had no knowledge that Rose lawyers are considering reporting Hubbell's activities to the Arkansas Bar Association. "I certainly doubt it, but only the firm can answer that question," Nields said.

Numerous senior lawyers at the firm contacted in recent days about the Hubbell investigation said they could not comment on it and referred all questions to managing partner Ronald M. Clark.

Clark declined repeated requests for interviews this week. When first asked

about the investigation in an interview about three weeks ago, he said he would have no comment on any internal inquiry of Hubbell, but said "anything and everything" related to the special counsel's investigation is being examined internally.

Walter B. Stuart, who is acting as a spokesman for the Rose firm, said Monday that "I'm certainly not confirming or denying anything." He said the firm would not respond to inquiries concerning clients or internal matters. Stuart, a lawyer with the Houston firm of Vinson & Elkins, is representing the Rose firm in connection with the special counsel's ongoing investigation.

One source familiar with the inquiry said that Rose lawyers are investigating whether Hubbell wrote checks on an account used for client expenses to pay for his personal trips, credit card bills and other items. The firm has examined records going back to 1988, according to the source.

In some instances, Rose lawyers also are investigating whether Hubbell credited to himself hours of legal work performed by salaried associates, according to sources.

In one case involving a company owned by Hubbell's in-laws, Rose lawyers believe the firm lost about $ 500,000 because of a billing arrangement Hubbell made with his relatives. In that instance, Hubbell took on a contingency basis a complex patent infringement case on behalf of his in-laws. Rose lost the case, and belatedly discovered that Hubbell had agreed that the law firm would pay for expert witnesses on his in-law's behalf.

A lawsuit filed against the Rose firm in federal court in Washington in May 1993 shows that a consultant had a written agreement with Hubbell providing that the Rose firm would pay his fees, amounting to $ 156,000. The Rose firm balked but was legally obligated to pay the bill, court records show.

Hubbell, a close friend and frequent golfing companion of the president, has taken control of a wide array of issues at Justice, including civil rights and other non-criminal matters. Some department officials have described him as the department's chief operating officer.

Hubbell generally is regarded as the department's chief point of contact with the White House, and was effectively running Justice as White House "liaison" in the months before Janet Reno's confirmation as attorney general last spring. He was confirmed to the No. 3 job there in May.

The Rose firm has been racked with turmoil in recent months, with many of the 60 attorneys there upset at being dragged into special counsel Fiske's investigation of Madison and Whitewater.

The subpoena recently served on the Rose firm in relation to Fiske's investigation sought materials on a wide array of individuals and entities, including Hubbell's father-in-law, Seth Ward, a former Madison employee and borrower. The subpoena also sought materials on P.O.M. Inc., a parking meter firm owned by the Ward family and represented by Hubbell. P.O.M. was the firm involved in the patent infringement case handled by Rose.

Hillary Clinton represented Madison before state regulators in the mid-1980s,

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a matter that figures into the special counsel's investigation. She and President Clinton were joint owners of Whitewater with Madison owner James B. McDougal and his former wife Susan.

Four of the Rose firm's top partners came to Washington with Clinton's election and because prominent figures in the administration. In addition to Hillary Clinton, Hubbell and Foster, former Rose managing partner William Kennedy is in the White House counsel's office.

Fiske's wide-ranging probe also is examining Foster's suicide. On the morning of his death, U.S. Park Police records show that Foster received a phone message from C. Brantley Buck, the Rose firm's chief financial officer. Foster tried to return the call later that morning but did not get through. It is not known what Buck was calling about. Buck declined to be interviewed this week.

With the departure of four of its most senior partners, a new generation of lawyers has taken control of the Rose firm, most of them in their thirties and early forties. Sources close to the firm say many of them are furious that their livelihoods and their firm's once-sterling reputation are being damaged by actions of the firm's old guard.

Any grievances made to the bar association remain confidential unless it decides to take disciplinary action against a lawyer.

Rose partners have been advised by the state's leading expert in professional ethics, University of Arkansas Prof. Harold Brill, that they have a duty to report any findings about Hubbell to the state bar association, according to a source close to the firm. Brill declined to comment yesterday.

A source close to the firm said senior lawyers there have been agonizing over how to resolve the Hubbell investigation. But they have tried to find ways to handle the probe that cause the least amount of embarrassment to the Clinton administration and to Hubbell.

GRAPHIC: PHOTO, WEBSTER HUBBELL'S CLIENTS AT ROSE LAW FIRM, ONE OF THE OLDEST AND MOST PRESTIGIOUS IN ARKANSAS, INCLUDED THE FEDERAL RESOLUTION TRUST CORP. GERALD MARTINEAU

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 2, 1994

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LEVEL 1 - 4 OF 7 ITEMS

Copyright 1994 The Washington Post
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March 2, 1994, Wednesday, Final Edition

SECTION: FIRST SECTION; PAGE A11

LENGTH: 391 words

HEADLINE: GOP Assails RTC Head's White House Visit

SERIES: Occasional

BYLINE: Charles R. Babcock, Washington Post Staff Writer

BODY

Congressional Republicans yesterday continued to question the propriety of a meeting in which Roger C. Altman, acting head of the Resolution Trust Corp., briefed White House officials on the agency's probe of a failed Arkansas savings and loan with ties to President Clinton.

Rep. Jim Leach (R-Iowa), ranking minority member of the House Banking Committee, called Altman's meeting with White House counsel Bernard Nussbaum and other officials an "ethical umbrage." In asking federal ethics officials to determine whether the meeting violated any government ethics rules. Leach said that in his opinion, the early February meeting compromised the RTC's independence.

Leach said Altman immediately should resign from all his duties as acting RTC chairman. Altman has said he will leave the acting position at the end of March.

Sen. Alfonse M. D'Amato (N.Y.), the ranking Republican member of the Senate Banking Committee, said his committee should hold a hearing to take sworn testimony on what he called Altman's "fairy tale version" of the meeting. One informed source said Senate Republicans may hold up a vote on Ricki R. Tigert, Clinton's nominee to head the Federal Deposit Insurance Corp., while demanding more information on the Altman White House meeting.

White House press secretary Dee Dee Myers has defended the meeting, attended by Nussbaum, Deputy Chief of Staff Harold Ickes and Hillary Rodham Clinton's chief of staff, Margaret Williams, as a procedural briefing.

Altman disclosed at a Senate Banking Committee hearing last Thursday that he initiated a "heads-up" meeting for White House officials on how the agency would proceed on potential civil claims arising out of the failure of Madison Guaranty Savings & Loan, which was owned by the Clintons' business partner James McDougal.

D'Amato issued a statement asking detailed questions about the meeting, including why the Treasury Department general counsel, rather than the RTC's chief lawyer attended, and whether any confidential RTC documents were shown to White House officials.

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In an interview, D'Amato said, "They can attack me personally and say this was politically inspired, but can they answer the questions? No one who has ever taken Ethics 101 would have attended that meeting. And the White House counsel wouldn't know that? This is a tar baby."

GRAPHIC: PHOTO, ROGER C. ALTMAN.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 2, 1994

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LEVEL 1 - 5 OF 7 ITEMS

Copyright 1994 The Washington Post
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March 2, 1994, Wednesday, Final Edition

SECTION: FINANCIAL; PAGE F3

LENGTH: 1028 words

HEADLINE: Bentsen Told to Settle Turf Dispute With Fed;
Fight Threatens Regulatory Bill, Senators Warn

SERIES: Occasional

BYLINE: Jerry Knight, Washington Post Staff Writer

BODY

Leaders of the Senate Banking Committee warned Clinton administration officials yesterday that their plan to restructure federal bank regulation will not get through Congress unless they settle their turf war with the Federal Reserve Board.

Committee Chairman Donald W. Riegle Jr. (D-Mich.), and ranking Republican member Alfonse M. D'Amato (N.Y.), co-authors of legislation to consolidate the four federal agencies that oversee banks, said the dispute between the Treasury Department and Fed could scuttle chances for long-overdue regulatory changes.

Treasury Secretary Lloyd Bentsen told the panel the administration has made several concessions to protect the jurisdiction of the Fed but has been unable to reach agreement with the Fed over how to revamp banking regulation.

"We've got to get some of these outstanding issues resolved," D'Amato warned. "Without that we could ... achieve true gridlock."

"It is essential that we resolve these issues promptly," said Riegle, who blamed the Fed for trying "to play wrecking crew" with legislation that has been advocated by independent experts for more than a decade and endorsed by bank regulators from both Democratic and Republican administrations.

The administration plan as detailed yesterday by Bentsen calls for combining all bank regulation into a new Federal Banking Commission, which would take over duties now handled by the Office of the Comptroller of Currency, the Office of Thrift Supervision, the Federal Deposit Insurance Corp. and the Fed.

Fed Chairman Alan Greenspan is fighting the plan because it would reduce the supervisory role of the Fed, which now regulates bank holding companies and state banks that belong to the Fed system.

Greenspan contends the Fed cannot do its job of managing the nation's economy and protecting the financial system unless it is directly involved in bank regulation.

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Greenspan also has challenged the idea of a single bank regulator, arguing that banks should be able to choose between coming under the new commission or being regulated by the Fed.

Bentsen dismissed that argument. "The federal government is not Noah's ark," he said. "We don't have -- or need -- two Securities and Exchange Commissions. Or two Food and Drug Administrations. Or two central banks. We don't need two sets of rules and interpreters, or two sets of examinations."

Bentsen said that unless all regulation is brought under one agency, financial institutions will still be able "to shop for the most lenient federal regulator."

The savings and loan scandal came about because lenders set themselves up as S&Ls so they could qualify for looser regulation than banks, he pointed out.

The single regulator issue will be the major obstacle to reaching agreement on revamping bank regulation, predicted Sen. Christopher S. Bond (R-Mo.), who said Republicans are concerned that bringing all regulation under one roof would lead to greater political influence over the regulatory process.

Citing President Clinton's involvement in the investigation of irregularities at Madison Guaranty Savings and Loan, Bond said that when you "see what's going on in the administration, the issue of politicizing regulations bothers me."

GRAPHIC: PHOTO, TREASURY SECRETARY LLOYD BENTSEN AT YESTERDAY'S SENATE HEARING. HE SAID THE ADMINISTRATION AND THE FED HAD NOT REACHED ACCORD ON REGULATORY CHANGES. RAY LUSTIG

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 2, 1994

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LEVEL 1 - 6 OF 7 ITEMS

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The Washington Times

March 2, 1994, Wednesday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 911 words

HEADLINE: Republicans want hearings on secret Madison briefing

BYLINE: Paul Bedard and Paul M. Rodriguez; THE WASHINGTON TIMES

BODY

Congressional Republicans yesterday demanded hearings and ethics inquiries into a secret Treasury Department briefing of White House officials regarding the federal investigation of a failed Arkansas thrift linked to President Clinton.

Senate Minority Leader Bob Dole and Sen. Alfonse M. D'Amato called for a congressional investigation into Deputy Treasury Secretary Roger Altman's meeting with three senior Clinton aides early last month.

Mr. Altman, acting head of the Resolution Trust Corp., told the Senate Banking Committee last month he had briefed White House Counsel Bernard Nussbaum; Harold Ickes, deputy White House chief of staff; and Margaret Williams, first lady Hillary Rodham Clinton's chief of staff, on the RTC's investigation of Madison Guaranty Savings and Loan of Little Rock, Ark.

"I believe that his meeting was improper," Mr. D'Amato, New York Republican, told reporters yesterday.

Sen. Donald W. Riegle, Michigan Democrat and chairman of the Banking Committee, did not rule out a hearing in the matter. "I want to reserve judgment," he said yesterday.

Meanwhile, Rep. Jim Leach, Iowa Republican, demanded an investigation by the Office of Government Ethics into potential violations of federal ethics codes by Mr. Altman and Mr. Nussbaum.

White House spokeswoman Dee Dee Myers dismissed the GOP demands, saying that no wrongdoing occurred when Mr. Altman briefed Mr. Clinton's advisers on the status and difficulties of the RTC's investigation of Madison.

In his testimony, Mr. Altman said he had requested the briefing, which focused on how the inquiry was running up against a statute of limitations, which Congress subsequently extended.

Last week, Mr. Altman recused himself from further issues relating to Madison. His temporary tenure as head of the S&L cleanup agency ends March 30.

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The Washington Times, March 2, 1994

"It is my judgment that the RTC has had its independence compromised and that it is no longer sufficient for Mr. Altman to recuse himself from the Madison case," Mr. Leach said in a letter to Mr. Nussbaum; Stephen Potts, director of the Office of Goverment Ethics; Treasury Department Counsel Jean Hanson; and RTC ethics officer Art Kusinski.

"It is all too apparent that his shadow looms large at the agency and that his immediate resignation from all responsibilities at the RTC would appear to be the only ethical option at this time," he added.

In his letter, Mr. Leach charged that Mr. Nussbaum and Mr. Altman flouted federal ethics laws.

"Mr. Altman's meeting with White House staff . . . is an ethical umbrage," he said. "Just as one party should not have requested the meeting, the other party should not have accepted it."

Madison was owned by James B. McDougal, a former business partner of the Clintons in the Whitewater Development Corp., a failed real estate venture in northern Arkansas.

Federal authorities shut down the thrift in 1989 at a cost of $50 million.

Special counsel Robert B. Fiske Jr. is investigating charges that Mr. McDougal diverted funds from Madison to Mr. Clinton's 1984 gubernatorial campaign and funneled Madison funds to Whitewater.

Yesterday, Mr. D'Amato said the Senate Banking Committee should investigate the Altman-Nussbaum meeting and see if other meetings took place. He is seeking all Madison-related White House correspondence, meeting notes, electronic mail and other documents on RTC briefings.

"This is meddling at the highest levels," he said of the RTC-White House meeting. "This smacks of damage-control operations for Whitewater."

Sen. Christopher S. Bond, Missouri Republican, said Mr. Altman's actions were driven by his personal ties to the Clintons. "The signal that is raised to me is that it's more important to uphold the bonds of friendship, not the law," he said.

Mr. Bond also derided White House efforts to cover up the meeting and others like it, noting that the Altman briefing was uncovered only during a heated Senate hearing on Thursday.

Mr. Dole echoed Mr. Bond's remarks: "The American people now know about Mr. Altman's unseemly meeting with White House officials precisely because Banking Committee Republicans used the opportunity of an RTC oversight hearing to ask Madison-related questions. If there had been no hearing, it's unlikely this information would have surfaced any time soon."

The Kansas Republican also expressed surprise that Democrats and the media have not demanded hearings into the Altman meeting at the White House.

"If these events had indeed occurred during the Reagan administration, the

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expressions of outrage in the press, and the clamor for congressional hearings, would have shot off the political Richter scale," the Senate GOP leader said.

Miss Myers said the issue is politically charged.

"There are a number of people who are trying to make it a political issue, who try to raise it, and I think we're not going to react every time they do," she said, refusing to explain why the White House feels the issue is political.

"We're not going to jump every time somebody tries to make a political issue out of Whitewater. We're cooperating fully with the investigation, and we have nothing more to say about it," she said.

Miss Myers defended the meeting. "Nothing inappropriate took place," she said.

GRAPHIC: Photo (color), Sen. Alfonse D'Amato believes a meeting between Deputy Treasury Secretary Roger Altman and senior White House aides was "improper."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 2, 1994

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LEVEL 1 - 7 OF 7 ITEMS

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The Washington Times

March 2, 1994, Wednesday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 980 words

HEADLINE: Hale faces grilling about bogus loans

BYLINE: Jerry Seper; THE WASHINGTON TIMES

DATELINE: LITTLE ROCK, ARK.

BODY

LITTLE ROCK, Ark. - The government's case against David L. Hale in the Whitewater-Madison investigation is expected to focus on bogus loans and fictitious notes involving "highly important political figures" in Arkansas, a lawyer said yesterday.

Randy Satterfield, attorney for co-defendant Eugene Fitzhugh in the pending Hale trial, made the comment during a pretrial hearing in U.S. District Court here.

"We would anticipate that as far as Hale's involvement in the allegations, there is evidence of bogus loans," Mr. Satterfield said in calling for his client to be tried separately.

"Fictitious notes establish, possibly, that there were loans funded that don't really exist," he said. "I anticipate that some of the bogus note-signers are going to testify that the money went to highly important political figures."

Mr. Satterfield did not elaborate and declined further comment after the court hearing, but he told U.S. District Judge Stephen Reasoner that he did not want his client "swept in this Whitewater froth down the stream."

A Reagan appointee, Judge Reasoner agreed to separate Mr. Hale's trial, due to begin March 28, from those of the other two defendants. He ordered a June 20 trial for Mr. Fitzhugh and Charles Matthews.

"I don't particularly want to try a case twice, but at the same time, judicial economy must yield to a defendant's right to a fair trial," the judge said.

Mr. Hale is charged with conspiracy and making false statements to influence the Small Business Administration (SBA) in making the loans. Mr. Fitzhugh and Mr. Matthews are charged with conspiracy.

Judge Reasoner, in the second day of a pretrial hearing in the Hale case, also refused a motion by Mr. Hale's attorney, Randy Coleman, to delay the scheduled trial date and ordered prosecuters to give the defense a list of

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"unindicted co-conspirators" by tomorrow.

The co-conspirators are mentioned in the Hale indictment handed up Feb. 17, although it offers no names or descriptions. Judge Reasoner told the government to write "a brief description" about each of the unnamed individuals and their suspected involvement.

Mr. Hale, a former county municipal judge here, has accused President Clinton and James B. McDougal, owner of Madison Guaranty Savings and Loan Association, of pressuring him into approving an illegal $300,000 loan through his SBA-backed lending agency known as Capital-Management Services Inc. About a third of the 1986 loan ended up in Whitewater Development Corp., a real estate venture owned by Mr. Clinton, Hillary Rodham Clinton, Mr. McDougal and his then-wife, Susan.

The loan - issued to Mrs. McDougal - is one of the subjects of an ongoing federal investigation into the Whitewater-Madison affair by special counsel Robert B. Fiske Jr.

Attorney General Janet Reno assigned Mr. Fiske on Jan. 20 to investigate accusations of financial irregularities involving the Clintons, the McDougals, Madison and the Whitewater project.

Mr. McDougal, who purchased Madison in 1982, is believed to have diverted more than $250,000 in depositors' money, including funds used for Mr. Clinton's 1984 gubernatorial re-election campaign. Federal authorities suspect Mr. McDougal used overdrawn accounts and Madison-approved loans to pay Mr. Clinton's campaign expenses.

Mr. McDougal, a longtime associate of Mr. Clinton's, also is accused of diverting Madison money to Whitewater.

The Clintons and McDougals have denied any wrongdoing in connection with Whitewater and the now-defunct Madison, which was seized by federal regulators at a cost to taxpayers of $50 million.

Mr. Fiske, who emphasized the importance of yesterday's pretrial hearing in the Hale case by attending and participating in both sessions, has described Mr. Hale's pending testimony as "essential" to the Whitewater-Madison inquiry.

Assistant special counsel Denis J. McInerney, who will handle the Hale prosecution, has suggested that the government will attempt to compel Mr. Hale's testimony on the $300,000 loan during the pending trial. He said in a recent court filing that "in order to conduct the investigation into Hale's allegation regarding President Clinton, it is necessary to try this case."

In ordering the trial to begin on schedule, Judge Reasoner described changes from an initial Sept. 23 indictment against Mr. Hale and a Feb. 17 superseding indictment obtained by Mr. Fiske - which was challenged by Mr. Coleman - "as minor and technical."

Mr. Hale is accused of putting $800,000 into a Capital-Management account long enough to qualify for additional SBA money before diverting it to other accounts. The conspiracy and false-statement charges are derived from that

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effort to influence the SBA.

Mr. Hale, a longtime Democratic Party activist in Arkansas who was appointed to the bench by Gov. Clinton, has pleaded not guilty.

The charges against Mr. Hale do not relate specifically to the Whitewater-Madison affair, but Mr. Hale's assertions that he conspired with Mr. Clinton and Mr. McDougal to defraud the SBA have made the case a major starting point for Mr. Fiske and his staff.

Mr. Clinton, through a spokesman, has said he does not recall meeting with Mr. Hale to arrange an SBA loan and "does not believe it occurred." Mr. McDougal said the assertion is "ridiculous."

The White House also has said that Mr. Hale fabricated the Clinton connection to Capital-Management in September 1993 "to save his butt" against pending federal charges.

A pretrial witnesss, Gayland Westbrook, however, testified Monday that Mr. Hale openly boasted to him in August 1989 that Mr. Clinton was actively involved with Capital-Management operation.

GRAPHIC: Photo, David L. Hale

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 2, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Trudy Walsh
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 4, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are ten (10) news articles from Nexis, relating to Madison Guaranty, dated March 3, 1994.

LEVEL 1 - 1 OF 10 ITEMS

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

March 3, 1994, Thursday, AM cycle

SECTION: Washington Dateline

LENGTH: 898 words

HEADLINE: Clinton to Staff: 'Bend Over Backward' to Avoid Probe Meddling

BYLINE: By RON FOURNIER, Associated Press Writer

DATELINE: WASHINGTON

BODY

Embarrassed anew by White House handling of the Whitewater affair, President Clinton ordered aides Thursday to "bend over backward" to avoid meddling in a federal investigation involving him.

Insisting that "no one has actually done anything wrong," Clinton nonetheless expressed regret that his advisers received private briefings on a government investigation into a failed Arkansas thrift.

"I'm concerned about that," Clinton said. "I think it would be better if the meetings and conversations hadn't occurred."

Critics have wondered aloud if the White House were trying to influence the investigation into Madison Guaranty Savings and Loan Association and the related Whitewater land venture formerly co-owned by the president and Mrs. Clinton.

"You're asking for big, big trouble and showing some stunningly bad judgment when you start mixing politics with the law enforcement," Senate Minority Leader Bob Dole said.

In a letter to Senate leaders, 43 Republican senators promised to block the administration's nomination of Ricki R. Tigert to head the Federal Deposit Insurance Corp., until a congressional hearing is conducted on a White House briefing by Deputy Treasury Secretary Roger Altman. Altman is a Clinton appointee and interim head of the Resolution Trust Corp., the S&L cleanup agency.

Clinton's comments mark the second time in a week his administration confirmed private meetings about the inquiry with government officials. All told, there were three such meetings, the White House said.

As part of an administration-wide effort to dampen the fire, Treasury

Secretary Lloyd Bentsen ordered his staff to have no further contact with the White House about the case and referred the matter to the Office of Government Ethics "to ensure that all ethical guidelines were followed."

And Clinton ordered a memo from Chief of Staff Mack McLarty outlining procedures for staff contacts with other government officials. He urged his staff to be even more cautious than the memo requires.

"We will bend over backward to avoid not only the fact but any appearance of impropriety," Clinton told reporters.

Aides said privately that Clinton was upset that his aides, particularly White House Counsel Bernard Nussbaum, did not realize the meetings would cause a flap.

Largely a symbolic gesture, the two-paragraph memo "reiterates White House policy," requiring contacts from federal agencies regarding Whitewater to be reported to the White House counsel's office, which would determine whether they should be addressed by the president's personal attorney or the White House. "In addition, no contact by the White House with executive branch or independent agencies regarding these matters should be made without prior authorization from the deputy counsel," the memo says.

It would not have expressly forbid the questioned meetings, because Nussbaum attended all three. But White House spokeswoman Dee Dee Myers said the memo, coupled with Clinton's statement, ensures "future contacts will be considered with an eye toward appearances."

Nussbaum's deputy, Joel Klein, will review all requests to discuss Whitewater with officials outside the White House, Myers said.

Confirming a Washington Post story, the White House on Thursday described two meetings:

-In late September, the Treasury Department's top attorney told White House Counsel Bernard Nussbaum that criminal referrals against Madison had been prepared by the RTC. Spokesman Mark Gearan said the fact that the Clintons were named in the referrals might have been mentioned. An official familiar with the inquiry has said the referral says the Clintons may have benefited from questionable Madison transactions but does not accuse them of wrongdoing.

-A month later, Treasury officials met with Nussbaum, Gearan and top Clinton aide Bruce Lindsey about the referrals sent to the U.S. attorney's office in Little Rock.

The latest report comes on the heels of criticism of Altman for meeting with White House officials about the Madison case. After Republicans criticized his actions, Altman issued a statement admitting "bad judgment" and said he would stop dealing with the Madison case.

The letter from GOP senators says, "Needless to say, such a meeting is highly improper and raises very real questions about Mr. Altman's impartiality and the alleged independence of the investigation."

Explaining the latest revelation, the White House said Treasury attorney Jean

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Hanson offered the information to Nussbaum in a brief encounter after an unrelated meeting.

Criminal referrals are documents in which federal regulators - who carry out only civil investigations - pass on suspected evidence of criminal wrongdoing to prosecutors.

It is not customary to discuss the contents of such a document with anyone named in it, or their associates.

The October conversation between Treasury officials and several White House aides was held to figure out how to respond to press inquiries, the White House said. Lindsey said Treasury officials did not describe the contents of the RTC filings.

"In retrospect I guess the meeting probably shouldn't have occurred but you have to understand in October 1993 none of this was an issue at the time," Lindsey said.

Said Clinton: "Nearly as I can determine, nobody has done anything wrong or attempted to improperly influence any government action."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 3, 1994

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LEVEL 1 - 2 OF 10 ITEMS

The Associated Press

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March 3, 1994, Thursday, AM cycle

SECTION: Washington Dateline

LENGTH: 859 words

HEADLINE: Mrs. Clinton's Old Firm Has Nearly Two Dozen S&L Cleanup Contracts

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: WASHINGTON

BODY

The Rose Law Firm, where Hillary Rodham Clinton used to work, has received 22 government contracts in savings and loan cases since 1989, reaping well over $ 1 million, according to billing records examined by The Associated Press.

The S&L cleanup contracts include one involving a failed thrift now at the center of a special prosecutor's investigation into the first family's business dealings.

The law firm's work so far has yielded at least $ 1.27 million, the records show. And if it is paid the full amount budgeted for its remaining cases, the firm stands to make at least an additional $ 600,000.

The work awarded to the Little Rock firm, one of Arkansas' oldest and most prestigious, has generally involved helping regulators pursue thrift officers and others they believe responsible for S&L failures in Arkansas.

All but one of the contracts has come from the Resolution Trust Corp., the agency Congress created to take over the S&L cleanup in 1990 from the Federal Deposit Insurance Corp.

Most cases were handled by lawyers other than the firm's "Famous Four" - Mrs. Clinton, Associate Attorney General Webster Hubbell, the late deputy White House counsel Vincent Foster and White House lawyer William Kennedy. All followed Bill Clinton to Washington.

According to the billing records, Rose lawyers have charged taxpayers between $ 75 per hour for junior associates' work to $ 140 an hour for work by senior partners.

The rates are modest when measured against billings from firms in bigger cities such as New York, where hourly fees can to $ 200 and higher.

The firm's most lucrative government deal came in 1989 when the FDIC hired Hubbell to represent the government in a lawsuit involving Madison Guaranty Savings and Loan, a failed Arkansas thrift that has engulfed President Clinton in controversy.

Rose was hired to sue Madison's former accountants for negligence. Hubbell settled the $ 10 million claim for $ 1 million; his work earned the firm some $ 400,000.

Throughout the Whitewater affair, the Rose firm has been under an intense spotlight.

The latest twist came this week when Hubbell acknowledged he recently was questioned by the firm about certain billings for his work, including one involving the RTC.

A published report said the firm was trying to determine whether its former senior partner had overcharged clients or billed the firm for personal expenses. Hubbell denied any wrongdoing and said he was helping the firm locate documentation to back up his charges.

The billing records show Hubbell was listed as the supervising lawyer in three of the Rose cases. In two, the RTC questioned Rose's billings and rejected several small charges as excessive, the records show.

One case involved the failure of First Savings of Arkansas, for which the Rose firm estimated its work would cost $ 173,400.

According to the records, the RTC rejected nearly $ 1,400 in billings including $ 490 for "Travel at Full Rate," $ 222 for "unauthorized fees," $ 215 in "Inappropriate Attorney Services," $ 200 in fees for incomplete documentation, $ 140 in duplicate billings from different attorneys for the same work, $ 110 in excess paralegal costs and $ 16.26 in miscellaneous expenses.

The last item rejected was a mere 20-cent copying fee, the records show.

In another case involving the failed American Home S&L Association, the RTC rejected about $ 300 in charges, most for travel expenses.

It is not unusual for the government to disallow some billings when contracting with private firms.

The records also show that when Hubbell worked for the government, he charged $ 140 an hour. His normal rate at the time was $ 185, the records said.

The $ 140 hourly figure is the same charged by other senior Rose partners who have worked with the RTC, including attorney Richard Donovan, who is the firm's current liaison for S&L work.

Late last year, it was revealed that prior to Rose's work for the government in 1989, the firm, including Mrs. Clinton, had done work for Madison S&L on a regulatory matter before state officials.

Furthermore, it was learned that Hubbell's father-in-law had extensive

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financial dealings with the S&L and served as an officer on its real estate subsidiary.

FDIC officials questioned whether Hubbell had adequately notified regulators of the potential conflicts, and a formal investigation was begun.

That investigation recently cleared the firm of wrongdoing, but Republicans in Congress have successfully demanded a second review.

In the meantime, questions about President and Mrs. Clinton's Whitewater real estate venture and their dealings with Madison S&L's owner, James McDougal, have prompted a special prosecutor's investigation.

That investigation will include a review of Foster's death in the summer of 1993. Foster was working on Whitewater matters for the Clintons when he was found dead in a park. Police have ruled the death a suicide.

Special prosecutor Robert Fiske also is investigating allegations that the firm may have shredded Whitewater-related documents - a charge strongly denied by the firm. Some Rose employees have hired their own lawyer.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 3, 1994

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LEVEL 1 - 3 OF 10 ITEMS

The Associated Press

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March 3, 1994, Thursday, AM cycle

SECTION: Washington Dateline

LENGTH: 539 words

HEADLINE: Post: Treasury, White House Meetings on Madison Probe

DATELINE: WASHINGTON

BODY

Treasury Department and White House officials met twice last fall to discuss the status of a federal investigation into a failed Arkansas savings and loan with ties to President Clinton and Hillary Rodham Clinton, The Washington Post reported Thursday.

The meetings, in September and October 1993, came after the Resolution Trust Corp. had sent the Justice Department nine separate referrals involving the failure of Madison Guaranty Savings and Loan Association, including at least one naming the Clintons.

Special counsel Robert Fiske is now trying to learn whether funds from Madison were diverted to Whitewater Development Corp., a real estate venture owned jointly by the Clintons and James McDougal, the S&L's owner.

Fiske is also investigating whether Madison funds were improperly used to help retire Clinton's 1984 gubernatorial campaign debt.

The Clintons were named in the referrals as possible beneficiaries of misuse of Madison funds, although neither was formally accused of wrongdoing.

The Post, citing unidentified administration officials, reported that White House counsel Bernard Nussbaum and top Treasury Department counsel Jean Hanson met in late September to discuss the Madison case.

An official told the Post that Hanson informed Nussbaum that the Clintons were named in the RTC action but not accused of any wrongdoing.

In the second meeting, in mid to late October, Nussbaum, White House communications director Mark Gearan, and Clinton senior aide Bruce Lindsey met with three Treasury officials, including Hanson, according to the report.

Lindsey told the Post that in the first meeting, the substance of the referrals was not discussed, but that the officials discussed how to handle reporters' questions on the issue.

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Gearan confirmed the second meeting, and also said the purpose was to discuss press inquiries, the report said.

However, criminal referrals are highly confidential documents in which federal regulators - who conduct only civil investigations - pass on suspected evidence of criminal wrongdoing to prosecutors. Under no circumstances is it customary to discuss the contents of such a document with anyone named in it or their associates.

The Post reported that Gearan denied Wednesday that there was anything improper in the White House discussing an investigation involving the Clintons. Gearan said Treasury officials had requested the meeting because of press inquiries about the criminal referrals.

The report comes on the heels of acting RTC head Roger Altman being criticized for meeting with White House officials about the Madison case.

At a Senate Banking committee meeting last Thursday, Altman acknowledged that he had briefed Nussbaum early last month on the case. But he insisted that he had only explained the procedures by which the S&L cleanup agency was continuing its probe as a deadline for filing civil charges approached.

After Republicans criticized his actions, Altman issued a statement admitting "bad judgement" in holding the briefing and announced that he will recuse himself from further dealings with the Madison case. The Treasury official has said he will step down as the RTC's acting chief by the end of March when his term expires.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 3, 1994

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LEVEL 1 - 4 OF 10 ITEMS

The Associated Press

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March 3, 1994, Thursday, PM cycle

SECTION: Business News

LENGTH: 734 words

HEADLINE: White House Acknowledges Two Additional Briefings on Madison S&L Case

BYLINE: By RICHARD KEIL, Associated Press Writer

DATELINE: WASHINGTON

BODY

For the second time in a week, the White House is acknowledging that it has received private briefings on a confidential investigation into the failure of a failed Arkansas thrift with ties to President and Mrs. Clinton.

The White House confirmed Wednesday that a pair of meetings were held last fall in which regulators' investigation into the thrift failure was discussed.

According to a report in today's Washington Post, the White House was informed by Treasury Department officials that the Clintons had been named as possible beneficiaries of misuse of funds from Madison Guaranty Savings and Loan Association, although neither was accused of wrongdoing.

However, top Clinton aides told the Post that the session revolved around public relations issues, and that confidential aspects of the case, including any potential ramifications for the Clintons, were not discussed.

In the first of the two meetings between the Treasury Department's top attorney, Jean Hanson, and White House Counsel Bernard Nussbaum, held in late September, Nussbaum was told that the Clintons had been named in a criminal referral prepared by the Resolution Trust Corp., the S&L cleanup agency.

Criminal referrals are highly confidential documents in which federal regulators - who carry out only civil investigations - pass on suspected evidence of criminal wrongdoing to prosecutors.

It is not customary to discuss the contents of such a document with anyone named in it, or their associates.

According to RTC employees, top officials there briefed Hanson on the progress of the Madison probe before she met with Nussbaum.

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At the second meeting, held in late October, the focus was on how to handle news media inquiries about the referrals, top Clinton adviser Bruce Lindsey told the Post.

Lindsey, who attended the second meeting along with Nussbaum and White House Communications Director Mark Gearan, said the focus of both sessions was to discuss how the media inquiries on the Madison probe were to be handled.

The report comes on the heels of criticism of acting RTC head Roger Altman for meeting with White House officials about the Madison case.

At a Senate Banking Committee hearing last Thursday, Altman acknowledged that he had briefed Nussbaum early last month on the case. But he insisted that he had only explained the procedures by which the RTC was continuing its probe as a deadline for filing civil charges approached.

After Republicans criticized his actions, Altman issued a statement admitting "bad judgment" in holding the briefing and announced that he would recuse himself from further dealings with the Madison case.

Altman has said he will step down as the RTC's acting chief by the end of March when his term expires.

In other developments, Associate Attorney General Webster Hubbell said Wednesday he was questioned by his former law firm last week about his billings in past cases, but he emphatically denied ever overcharging clients.

One of the cases, Hubbell said, involved his work for the RTC.

"I did not overbill the RTC or any other clients," Hubbell said in a statement released by the Justice Department, where he is the No. 3 official.

He said the Rose Law Firm's inquiry was "in no way out of the ordinary" and he was in the process of helping the firm locate documentation to back up his billings.

Hubbell did not specify which clients or RTC cases he was questioned about. It was reported that the Rose firm was investigating his billing practices.

Records obtained by The Associated Press show that the RTC questioned Rose's billings in at least one case in which Hubbell was the supervising attorney - and that nearly $ 1,400 in charges were rejected as excessive.

The firm had budgeted more than $ 173,000 for that project, and the RTC ended up paying nearly all of that.

It could not immediately be determined whether this was the case to which Hubbell was referring.

Meanwhile, The Washington Post also reported today that Hillary Rodham Clinton may have played a more extensive role than the federal government has described in pursuing a lawsuit against Clinton friend and campaign fund-raiser, Daniel Lasater, for his involvement with a failed Illinois S&L.

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Records show Mrs. Clinton's name on four documents in her work for the Rose Law Firm, instead of one as previously asserted by the Federal Deposit Insurance Corp., the Post said.
LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 3, 1994

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LEVEL 1 - 5 OF 10 ITEMS

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USA TODAY

March 3, 1994, Thursday, FINAL EDITION

SECTION: NEWS; Pg. 7A

LENGTH: 389 words

HEADLINE: Clinton 'stands by' friend under probe

BYLINE: Bill Nichols

DATELINE: LITTLE ROCK

BODY

The White House said Wednesday that President Clinton stands by his long-time friend, Associate Attorney General Webster Hubbell, reportedly under investigation by his former law firm here.

The Washington Post reports the 174-year-old Rose Law Firm has been investigating possible overbilling and expense account irregularities by Hubbell since the summer of 1992.

Hubbell, in a statement, said he was questioned by his former firm last week about past billings but strongly denied any wrongdoing.

One of the cases, Hubbell said, involved the federal Resolution Trust Corp., which oversees the cleanup of failed savings and loans.

"I did not overbill the RTC or any other clients," Hubbell said. He said the Rose firm inquiry was "in no way out of the ordinary" and he was in the process of helping the firm locate documentation to back up his billings.

Clinton "stands by Webb. He believes in him. He believes in his denial," said White House press secretary Dee Dee Myers. Myers said no one at the White House is pursuing the matter: "It's an internal Rose matter."

A spokeswoman for the Rose firm, once the professional home of first lady Hillary Rodham Clinton and the late White House aide Vincent Foster, declined comment.

If the chronology of the Post story is accurate, it raises questions about why Hillary Clinton or deputy White House counsel William Kennedy - once the firm's managing partner - did not mention the internal probe when Hubbell's nomination was being reviewed. Myers said neither were aware of the reported investigation until Tuesday.

Hubbell, because of his close relationship to the Clintons, has been a lightning rod for critics, as has the historic Rose firm, which has now been subpoenaed by special prosecutor Robert Fiske in his investigation into the Clintons' role in the failed Madison Guaranty Savings & Loan. Fiske's office,

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which also will look into the relationships of Rose lawyers, including Hubbell, with the RTC, declined comment.

Meanwhile, Fiske has asked that three government reports on Foster's death be kept secret until he has completed his own investigation, officials said. Fiske, in a letter made public by his office here, promised that his own investigation into the events surrounding Foster's death, considered a suicide, "will be thorough and complete."

GRAPHIC: PHOTO, b/w, AP

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LEVEL 1 - 6 OF 10 ITEMS

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March 3, 1994, Thursday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 946 words

HEADLINE: Treasury Officials Told White House Status of S&L Probe

SERIES: Occasional

BYLINE: Ann Devroy , Susan Schmidt, Washington Post Staff Writers

BODY

Treasury Department officials twice informed the White House last fall of the status of a federal investigation into an Arkansas savings and loan with ties to President Clinton and Hillary Rodham Clinton, administration officials said yesterday.

The discussions came just after the Resolution Trust Corp. had asked the Justice Department to investigate possible criminal activity in connection with the thrift, Madison Guaranty Savings & Loan. The RTC description of that activity included references to the Clintons as potential beneficiaries of illegal Madison actions, but did not accuse them of engaging in anything illegal.

RTC officials said yesterday that "criminal referrals" are confidential legal documents that are virtually never discussed with those named in them. Without acknowledging that the discussions were in any way improper, White House Chief of Staff Thomas F. "Mack" McLarty yesterday warned senior officials against contacts with officials from Treasury, the RTC or others outside the White House involved in the case. McLarty also has prepared a staff memo that is to be widely circulated that makes the same point.

The first discussion, in late September, was between White House counsel Bernard Nussbaum and Jean Hanson, general counsel at the Treasury Department, according to administration officials. An official said that Hanson told Nussbaum that the Clintons were named in the RTC action but not accused of any wrongdoing.

The second meeting, in mid to late October, was held in Nussbaum's office and included, besides him, White House communications director Mark Gearan, Bruce Lindsey, the Clinton senior aide who has been handling questions on the inquiry into Whitewater and Madison, and three Treasury officials: Hanson; Josh Steiner, now chief of staff to Treasury Secretary Lloyd Bentsen; and Jack DeVore, then Bentsen's press secretary. Altman is the acting head of the RTC.

According to administration officials, Hanson was briefed by RTC senior vice president Bill Roelle on the status of the request for an investigation into Madison and the mention of both Clintons in those requests.

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Lindsey said officials did not discuss the "substance" of the referrals, but talked about how to respond to reporters' inquiries about them.

That mid-to-late October meeting came four months before the briefing that Deputy Treasury Secretary Roger C. Altman revealed during a congressional hearing last week.

Altman set off a chorus of criticism from Republicans when he said that he had recently briefed White House officials on how the RTC, on which he serves as acting head in addition to his Treasury post, would proceed with potential civil claims growing out of the collapse of Madison.

Republicans criticized the Altman briefing as an inappropriate interference by the White House in a case that directly affects the Clintons. Altman later issued a statement saying he had shown "bad judgment" in conducting the briefing and would recuse himself from further involvement in Madison. Yesterday, Treasury officials said he was unaware of the earlier White House meetings.

Gearan yesterday confirmed the October meeting and the subject of the discussion, but denied that there was anything improper in the White House's holding of a discussion on the elements of an investigation involving the Clintons. Gearan said the session was convened at the suggestion of Treasury officials because of press inquiries over the criminal referrals, not as an effort to discover what the RTC was up to and what could be done about it.

"This was not an RTC meeting," Gearan said, describing it as a session to discuss press inquiries on the RTC investigation and what the White House and Treasury should or could say in response to reporters' queries.

Although none of the three Treasury officials have statutory jobs at the RTC, Hanson in particular was heavily involved in RTC business. Sources described her as overseeing many of the RTC's legal matters because the agency's general counsel post was vacant.

The RTC is an independent federal agency that is in charge of disposing of failed savings and loans and pursuing civil and criminal cases against those with responsibility for the failures. It is headed by a political appointee named by the president and confirmed by the Senate. Because the new administration has not nominated a new head of the RTC, Altman has been serving in that post, and Treasury's top political team -- Steiner, Devore and Hanson -- were involved in helping in those duties.

Officials yesterday confirmed an additional contact with the White House involving the RTC but dismissed it as inconsequential. Hillary Clinton's press secretary, Lisa Caputo, said yesterday that in late October or November she had received a call from "a RTC guy" whose name and job she does not recall who informed her of press inquiries there involving Whitewater and Madison.

The call amounts to the first direct contact between the White House and RTC employees on the controversy, but Caputo said she had not solicited any RTC information or called anyone there and was simply "returning a phone call made to me." She said she did not take action or brief anyone because of the call.

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Clinton and his wife were joint owners of the Whitewater real estate venture with James McDougal, the owner of Madison, and McDougal's wife, Susan. Hillary Clinton represented Madison before state regulators in the mid-1980s before Madison's failure, estimated to have cost taxpayers more than $ 60 million. The special counsel is investigating whether Madison funds were diverted to Whitewater and other McDougal corporations.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 3, 1994

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LEVEL 1 - 7 OF 10 ITEMS

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March 3, 1994, Thursday, Final Edition

SECTION: FIRST SECTION; PAGE A16

LENGTH: 712 words

HEADLINE: Hillary Clinton's Role in Lawsuit Appears Larger

SERIES: Occasional

BYLINE: Howard Schneider, Washington Post Staff Writer

DATELINE: LITTLE ROCK, Ark.

BODY

Court documents on file here show that Hillary Rodham Clinton may have played a more extensive role than the federal government has described in pursuing a lawsuit against Clinton friend and campaign fund-raiser Daniel Lasater.

The Federal Deposit Insurance Corp. has said its review of Hillary Clinton's involvement in the case showed that her name appeared on a document signed on behalf of her former Rose Law Firm partner Vincent Foster Jr. that billed their client, the Federal Savings and Loan Insurance Corp. (FSLIC), for two hours of her work.

But a court file retrieved this week from the federal archives shows Hillary Clinton's name on four documents. She signed a 1987 court motion in which the Rose firm appealed to a federal judge to force Lasater's company to turn over documents. She also signed papers to amend the original complaint, to seek reduced damages against Lasater's company and to seek more time to investigate the Lasater firm.

The FSLIC suit originally sought $ 3.3 million from Lasater's company for its involvement with a failed Illinois thrift. The case against Lasater's United Capital Corp. was eventually settled for $ 200,000.

When ethical questions were raised in the press several weeks ago about Hillary Clinton's work on the case and whether she disclosed a possible conflict to the government, FDIC officials quickly responded that her work was minimal. B. Michael Bennett, a former Rose lawyer who worked on the case, yesterday also described Hillary Clinton's work as "pinch-hitting," in which she signed documents researched and prepared by him and other lawyers. He said her connections to Lasater never came up.

But the government's hiring of the firm has come under intense criticism by Republican members of Congress.

At the insistence of the Senate Banking, Housing and Urban Affairs Committee, the FDIC is now reviewing its internal investigation of the government's use of

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the Rose firm in several cases, including the Lasater matter. Its investigation found no conflicts of interest that would have disqualified the firm.

Rep. Jim Leach (R-Iowa), who is investigating the Clintons' involvement in the Whitewater land venture and with the failed Madison Guaranty Savings and Loan, yesterday asked FDIC Inspector General James A. Renick to conduct an independent review of possible Rose conflicts.

"The [Lasater] suit was eventually settled for $ 200,000, or about six cents on the dollar. An independent review of this case seems merited," he said.

In the Lasater matter, Foster, the former deputy White House counsel, negotiated a sealed settlement with Lasater for his investment activities at the failed First American Savings and Loan of Oak Brook, Ill.

Lasater was a successful restaurateur-turned-securities dealer who helped finance Bill Clinton's political career. The ties between the two became controversial as Lasater accumulated fees for state bond work, then came under investigation for trafficking in cocaine, a crime for which he was sent to prison.

His firm was hired to trade Treasury bills by First American. In the lawsuit, however, the thrift alleged that one of Lasater's employees was using savings and loan funds to carry out what were, in effect, personal T-bill trades, resulting in more than $ 360,000 in losses.

The FDIC is also reexamining the possible conflicts in Associate Attorney General Webster L. Hubbell's representation of federal thrift officials in a lawsuit brought against the accountants for the failed Madison Guaranty Savings and Loan. Hubbell is a former Rose lawyer. Hubbell's father-in-law was a borrower and consultant to the thrift.

FDIC officials last month said the associate attorney general did not violate conflict-of-interest rules in the case, but agreed to investigate the matter more thoroughly after Republican members of Congress criticized the agency's initial findings as a "whitewash."

White House senior adviser Bruce Lindsey said in a recent interview that it did not represent a conflict for Hillary Clinton to have worked on the Lasater case just because Lasater was a family friend and political supporter. Lindsey also said that the $ 200,000 settlement did not seem low since alleged losses to the S&L were about $ 360,000.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 3, 1994

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LEVEL 1 - 8 OF 10 ITEMS

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The Washington Times

March 3, 1994, Thursday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 873 words

HEADLINE: Hubbell 'denies' Rose firm probe ;
White House surprised by billing questions

BYLINE: Michael Hedges and Paul Bedard; THE WASHINGTON TIMES

BODY

Associate Attorney General Webster L. Hubbell, a former law partner of Hillary Rodham Clinton's in Little Rock, yesterday denied a report he is being investigated for overbilling clients.

"I am not aware of any investigation, and I have never overbilled a client," said Mr. Hubbell, former managing partner of the Rose Law Firm, which has been entangled in the Whitewater-Madison affair.

"The facts are that my former law firm had some questions about billings on cases I worked on which they put to me last week," he said, responding to a report in The Washington Post yesterday that Mr. Hubbell is being investigated by his former firm for overbilling clients, including the Resolution Trust Corp., which oversees savings and loan bailouts. He said the questions were "in no way out of the ordinary."

The Hubbell statement followed a frantic effort by the White House to explain that President Clinton and his aides had no knowledge of the internal Rose probe.

White House spokeswoman Dee Dee Myers repeatedly told reporters during a briefing that Mr. Hubbell, a close friend of the Clintons', would have a statement. But more than two hours later the Justice Department said it had no knowledge that a statement would be issued.

A five-paragraph statement was issued late in the afternoon.

Miss Myers broke with the practice of refusing to talk about probes of officials and explained in detail what the White House knew of the investigation.

When the first question was raised at yesterday's White House briefing, Miss Myers gave a detailed history of the administration's research of Mr. Hubbell's past and the actions White House officials took to check the accusations against him.

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The Washington Times, March 3, 1994

Miss Myers said that after The Post called to get a White House comment on its report, Chief of Staff Thomas F. "Mack" McLarty, another of Mr. Clinton's Arkansas associates, was informed and called Mr. Hubbell.

"I think it's appropriate that he be the one to make the inquiry. He did. He spoke to Webb about it, and again Webb told [him] . . . that it just didn't happen, it wasn't true," Miss Myers said.

"What Mack was looking for was an assurance that the charges were not true," she said. "Webb gave him that."

Mr. Clinton "stands by Webb. He believes him. He believes his denial," Miss Myers said.

Mr. Hubbell, who was a leading figure in Arkansas legal circles with Mrs. Clinton and another Rose partner, former White House Deputy Counsel Vincent W. Foster Jr., has been linked to the burgeoning Whitewater-Madison case.

A recent subpoena by special counsel Robert B. Fiske Jr. sought material on Mr. Hubbell's father-in-law, Seth Ward, who borrowed heavily from Madison Guaranty Savings and Loan Association and was an officer of a Madison subsidiary, Madison Financial Corp.

Madison Guaranty, owned by James B. McDougal, was seized by federal regulators at a cost of $50 million. Mr. McDougal and his wife, Susan, were partners with the Clintons in Arkansas' Whitewater Development Corp.

In 1989, Mr. Hubbell handled a court case for the Federal Deposit Insurance Corp. against Madison's auditors, Frost and Co., in which the government settled for much less than it sought and less than the firm was insured for. In 1985, Mrs. Clinton and Rose had represented Madison in efforts to block its closure by Arkansas regulators who were under the dominion of Gov. Bill Clinton.

Rep. Jim Leach, Iowa Republican, yesterday called on the Federal Deposit Insurance Corp. to investigate charges of conflict of interest by Mr. Hubbell for representing the government in the Frost suit. Mr. Leach, the ranking Republican on the House Banking Committee, is conducting a GOP investigation of the Whitewater-Madison affair.

Yesterday's reports said Rose lawyers are investigating whether Mr. Hubbell wrote checks on a client account to pay for personal trips and credit-card bills, and whether he credited to himself hours worked by salaried associates.

"The firm had asked me earlier for backup documentation on certain expenses paid for by the firm. I am in the process of helping the firm locate such documentation," Mr. Hubbell's statement said.

White House officials said the internal Rose investigation apparently never came up during the extensive FBI background check of Mr. Hubbell or his vetting by White House Counsel Bernard W. Nussbaum. Mr. Nussbaum's associate counsel, William H. Kennedy III, a former managing partner of the Rose firm, was not involved in the review, Miss Myers said.

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Mr. Nussbaum led a search of Mr. Foster's office that removed Whitewater documents after his body was found in a Langley park.

Miss Myers offered differing stories on the White House acknowledgment of the Rose review.

First she said: "What we know about it is what was in The Post this morning: investigation. That's something that you would have to talk to the Rose firm" about.

But at the end of the briefing, she said: "It is something that is being handled by the Rose firm. . . . They're reviewing this internally.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 3, 1994

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LEVEL 1 - 9 OF 10 ITEMS

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The Washington Times

March 3, 1994, Thursday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 768 words

HEADLINE: Altman gets close to the heat

BYLINE: Frank J. Murray; THE WASHINGTON TIMES

BODY

An intermittent 28-year friendship with President Clinton brought Deputy Treasury Secretary Roger Altman into the sub-Cabinet and now has put the multimillionaire investment banker on the firing line in the Whitewater-Madison case.

The men met at Georgetown University when both were school politicos, pursued the relationship from a distance for more than two decades, reconnected in 1989 when Hillary Rodham Clinton and Mr. Altman were on the board of the Children's Television Workshop, and joined forces in earnest in 1991 when Mr. Altman became a Clinton campaign adviser, fund-raiser and contributor.

Mr. Clinton accepted an invitation to go fishing at Mr. Altman's Wyoming ranch after becoming the Democratic presidential nominee, and again in the first summer of his presidency, but found other fish to fry both times and didn't show up.

Mr. Altman, whom the Boston Globe has called "secretary in training," ran the 1993 White House budget-bill war room, arming its staff with morning bagels and coffee. He now is a key policy member of the health care team as well as a favorite of Mrs. Clinton's, according to many who know them.

"In many ways, he has the stature of a Cabinet member. He's very well trusted by the president and Mrs. Clinton," White House economic adviser Gene Sperling told the National Journal.

At a banking hearing Tuesday, Sen. Christopher S. Bond, Missouri Republican, raised questions about Mr. Altman's motives in briefing White House officials last week on the Madison-Whitewater affair. Mr. Altman is acting director of the Resolution Trust Corp., the agency investigating S&L failures, until March 31.

"The signal it raises with me is that it may be more important to uphold the bonds of friendship than to pursue the law," Mr. Bond said.

Two of the three White House officials at that briefing were among the group that removed case files from Deputy Counsel Vincent Foster's office the night of

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his suicide.

"That means the acting head not only calls to ask if he can come to brief the White House staff on the Madison case, but then goes to see the very people who tried to conceal potential evidence from the investigators," Mr. Bond said.

Mr. Bond also questioned Mr. Altman's role in administration legislative proposals that would remove oversight over Arkansas' largest bank holding corporation, the Worthen Banking Corp., which the senator said helped the Clinton campaign with a $3.5 million infusion at a time of dire cash shortages.

"At a time when a special prosecutor is investigating the ties between politics and banking in Arkansas, I'm concerned about an administration proposal to increase the politicization of federal regulation, especially when its friends in Arkansas stand to benefit," Mr. Bond said.

Mr. Bradbury said his bank took no stand and contacted no federal official about the provision, which he said would affect all similar companies. He said the American Bankers Association board of directors, of which he is a member, unanimously voted to oppose the administration position and maintain Federal Reserve oversight.

He said the Clinton campaign's line of credit with Worthen was fully secured, was legal under federal campaign laws and was in force for five months. He said it was not "a bailout" at some emergency point as Mr. Bond charged.

Asked why Mr. Bond focused on Worthen if all bank holding companies would be affected, aide David Ayres said, "He's just raising the question given the ties between the Worthen Banking Corporation and the Clinton administration."

The Washington Times reported Jan. 4 that Mr. Altman opposed a bill to extend the statute of limitations and allow the Resolution Trust Corp. to file civil lawsuits to recover money lost by failed savings and loans, including the Madison Guaranty Savings and Loan of Little Rock, Ark.

Mr. Altman did not respond to calls yesterday, but a spokesman said he has always required the RTC to handle the Madison case as it would any other.

Mr. Altman has told journalists that his network of contacts in the White House is "certainly a plus" because he can be Secretary Lloyd Bentsen's eyes and ears in the presidential mansion.

Mr. Altman was a government student in Georgetown's class of 1969, one year behind Mr. Clinton, who was in the School of Foreign Service. Just as Mr. Clinton lost his bid to be 1967-68 Student Council president, Mr. Altman lost the following election.

GRAPHIC: Photo (color), FOB from GU: Roger Altman, a deputy at Treasury, has been dubbed a "secretary in training."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 3, 1994

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The Washington Times

March 3, 1994, Thursday, Final Edition

SECTION: Part A; COMMENTARY; EDITORIALS; Pg. A18

LENGTH: 711 words

HEADLINE: Mr. Hubbell, the firm and Footnote 3

BODY

Associate Attorney General and presidential golfing buddy Webster Hubbell has some explaining to do, and he is not the only one.

The Washington Post reported yesterday that the Rose Law Firm, of which he is a former partner, has been investigating since summer 1992 irregularities in his billing and expense reports. Among several examples, The Post describes an instance in which Mr. Hubbell agreed to represent his in-laws on a contingency-fee basis, then lost and ended up sticking the firm with a $500,000 tab, including payments to expert witnesses. And the firm is reportedly looking into whether he "credited to himself hours of legal work performed by salaried associates."

In response to The Post, Mr. Hubbell issued a statement yesterday that he has not been under investigation since 1992 and that he has not engaged in overbilling. But that was the first paragraph. In the second, he admitted that the firm had questioned him last week about his billings to the Resolution Trust Corporation, which took over for the Federal Deposit Insurance Corporation in settling the affairs of failed savings and loans in 1989.

The possibilities here are several, and they mostly all stink:

* If Mr. Hubbell has been under investigation since summer 1992, as The Post attributes to "sources close to the firm," that is curious indeed. Summer 1992? During the presidential campaign, in short. Now, wasn't the managing partner of the Rose Law Firm at that time William Kennedy III, who went on to the White House counsel's office? Wouldn't the managing partner know about such an investigation? And if Mr. Kennedy did know, didn't he think it might be a good idea to get all the questions about fraudulent billing answered sometime before appointing the person under investigation to the No. 3 law enforcement job in the United States?

* Oh, last week, you say, Mr. Hubbell? That would be shortly after the release of the FDIC report exonerating the Rose firm of conflict of interest in its representation of the federal government as conservator of the failed Madison Guaranty Savings and Loan - about the time the FDIC, at a Senate banking committee hearing, was agreeing to look further into the matter. At the time of the Rose representation, Mr. Hubbell's father-in-law had won a $470,000 judgment against Madison that the U.S. government was appealing. (In addition,

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Hillary Rodham Clinton had previously represented Madison in a failed stock offering.)

Footnote 3 of the FDIC report makes very interesting reading in this context: "The [FDIC] staff attorney's [1989] letter also noted that the primary attorney in the case was Richard Donovan, not Mr. Hubbell, and stated that Mr. Hubbell was involved only in an indirect way. Based on discussions with the staff attorney, this was meant to indicate that Mr. Donovan, as the junior partner on the case, would do most of the day-to-day work. Based on the fee bills for the case, Mr. Hubbell performed a significant amount of work."

Now, the Rose Law Firm is subject to possible sanctions if the FDIC reverses itself and decides that Mr. Hubbell's various entanglements constitute a conflict of interest. If he wasn't really much involved in the Madison-related litigation, that diminishes the likelihood of a finding of conflict. This has perhaps occurred to people currently working at the firm and worried about its survival - thus perhaps their interest last week in whether Mr. Hubbell was billing for work done by others (Mr. Donovan, maybe?).

This puts Mr. Hubbell in an interesting position. If he did do the work he billed for, the conflict of interest looms large. If he didn't, the bogus billing looms large.

That's an odd position for the nation's No. 3 law enforcement official, particularly in light of the fact that the nation hasn't got a No. 2 and that the "management style" of No. 1 is such that Mr. Hubbell is often described as the Justice Department's chief operating officer. We don't need this.

mAnd, by the way, all these months into the Whitewater affair, it was a great joy to see The Post publish something to advance the story.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 3, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Trudy Walsh
Paula Stone
Lisa A. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 8, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are fourteen (14) news articles from Nexis, relating to Madison Guaranty, dated March 7, 1994.

LEVEL 1 - 1 OF 14 ITEMS

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

March 7, 1994, Monday, AM cycle

SECTION: Washington Dateline

LENGTH: 1099 words

HEADLINE: Clinton Defends Wife, Self; 'No Credible Charge' in Whitewater

BYLINE: By TERENCE HUNT, AP White House Correspondent

DATELINE: WASHINGTON

BODY

President Clinton made an extraordinary and impassioned defense of his wife against any suggestion of wrongdoing in the Whitewater affair Monday. Defending himself, he declared, "There is no credible charge that I violated any law."

Amid news accounts that Hillary Rodham Clinton had ordered the shredding of documents at an Arkansas law firm, Clinton said, "I have never known a person with a stronger sense of right and wrong in my life - ever."

"And I do not believe for a moment that she has done anything wrong," he said, heatedly thumping the lectern at a news conference.

Hammered by Republican comparisons of the Whitewater episode with Richard Nixon's Watergate scandal two decades ago, Clinton vowed, "There will not be a coverup, there will not be an abuse of power in this office."

There was a glum mood of disbelief and defeat at the White House following Friday's sudden subpoena of 10 administration officials and the forced resignation of counsel Bernard Nussbaum. Most if not all of the officials were seeking legal counsel before appearing Thursday at U.S. District Court to testify.

Although the administration had received no further word from the special counsel, White House officials expected Chief of Staff Mack McLarty to be subpoenaed, too, because he helped arrange one of three meetings in which federal regulators discussed the Whitewater affair with Clinton aides.

White House staff were ordered to scour trash cans, burn bags and files for subpoenaed paperwork and computer files possibly related to the investigation by a special prosecutor, Robert Fiske.

The president and first lady agreed that their personal files were covered by the subpoena, aides said.

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Separately, Mrs. Clinton told "Elle" magazine that much recent criticism was based on "the wildest kind of paranoid conspiracies."

In an interview, which took place before the subpoenas were issued, she said, "This is a well-organized and well-financed attempt to undermine my husband, and by extension, myself, by people who have a different political agenda or have another personal and financial reason for attacking us."

George Stephanopoulos, a senior adviser to the president, denied that the the first lady or the president were involved in any shredding of documents at Mrs. Clinton's former law firm.

"The White House had absolutely nothing to do with that; the Clintons had absolutely to do with that," Stephanopoulos said on the MacNeil/Lehrer Newshour.

Clinton's news conference, with visiting Georgian leader Eduard Shevardnadze, was dominated by Whitewater questions.

Clinton said he had been unaware of two White House meetings where his advisers discussed the Whitewater investigation with federal regulators.

Yet, he acknowledged being informed last October that the Resolution Trust Corp. was investigating whether his gubernatorial campaign had received improper donations from a Little Rock savings and loan. He was hazy about the details.

"I don't remember when I knew about it or who told me about it, but it was just sort of presented as a fact, a decision that had been made by the government," the president said. "And I didn't think much about it at the time. It was just something that I absorbed."

Attorney General Janet Reno rejected a Republican request to suspend Webster Hubbell, an associate attorney general and Clinton confidant, until questions are resolved about his involvement in Whitewater. Reno said there was no basis for suspending Hubbell.

Over the objections of Democrats, Republicans pressed for congressional hearings into Whitewater, a tangled Arkansas land deal in which the Clintons were co-owners with James McDougal, the owner of a failed savings and loan now under investigation.

"If there's been no wrongdoing," Senate Minority Leader Bob Dole, R-Kan., said, "there should be nothing to hide."

However, Fiske, the special counsel, said in a letter that congressional hearings into Whitewater "would pose a severe risk to the integrity of our investigation."

He said there would be a danger if witnesses were granted congressional immunity and if premature disclosures caused witnesses to alter their future testimony.

The letter was sent to Senate Banking Committee Chairman Donald W. Riegle Jr., D-Mich., and the ranking Republican, Alfonse D'Amato of New York. D'Amato, a vigorous critic of Clinton, scheduled a meeting with Fiske on Wednesday to

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discuss the matter.

Clinton used his news conference to go on the offensive, accusing Republicans of "blatantly partisan" tactics to focus on Whitewater to derail his legislative agenda.

"The American people will be outraged if anybody uses this as an excuse not to keep going and doing the people's business," the president said.

Clinton said the White House staff had been ordered to comply fully in the federal investigation. He said he would soon replace Nussbaum with an attorney of "unquestioned integrity" in order "to inspire confidence in me ... that we are going the extra mile, not only in this case but in all cases, to deal with all matters in an appropriate way."

Acknowledging it had been a mistake for his staff to consult with federal regulators, Clinton said that a "firewall" of new guidelines had been erected to prevent improper contacts.

"I think the evidence that we have certainly makes it clear that no one tried to influence any governmental procedure or do anything improper," Clinton said.

Increasingly, Mrs. Clinton's role in the Whitewater affair has come under scrutiny.

She managed the family's financial affairs, including the Clinton's involvement in Whitewater. Also, as a Little Rock attorney, she represented McDougal's Madison Guaranty Savings and Loan with ties to Whitewater. She reportedly resisted giving Whitewater files to federal investigators and also the appointment of a special prosecutor.

Clinton brushed aside allegations that she had ordered documents shredded at her old law firm in Little Rock. "Law firms dispose of their documents all the time," he said.

Clinton said there should be no question about Mrs. Clinton's conduct. "I'm just telling you, the American people can worry about something else. Her moral compass is as strong as anybody's in this country, and they will see that."

As for himself, Clinton promised to be forthcoming in the investigation. "You're going to be confident in the way we handle this," the president said in a message to Americans.

Seeming to oppose GOP calls for congressional hearings, Clinton said, "If I did something wrong, it will come out in the special counsel."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 7, 1994

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LEVEL 1 - 2 OF 14 ITEMS

The Associated Press

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March 7, 1994, Monday, PM cycle

SECTION: Washington Dateline

LENGTH: 995 words

HEADLINE: Clinton Says He Had Been Unaware of Meetings; Defends Wife's 'Moral Compass'

BYLINE: By RON FOURNIER, Associated Press Writer

DATELINE: WASHINGTON

BODY

President Clinton said today he had been unaware of two White House meetings in which his advisers discussed the Whitewater investigation with Treasury Department officials involved in the probe. He forcefully defended his wife and said he was sure she had done nothing wrong.

At a White House news conference dominated by the Whitewater investigation, Clinton said the White House was cooperating fully with investigators, and scoffed at Republican comparisons with Watergate.

"There will not be a cover-up, there will not be an abuse of office in this White House," Clinton said, defending his conduct both as president and as Arkansas governor, when most of the episodes under investigation took place. "We're not covering up anything. We are opening up."

In addition to ordering his staff to comply with subpoenas issued Friday by the special counsel investigating Whitewater, Clinton said he had them "going the extra mile" and determining whether there were any other meetings or contacts that might be of interest to investigators.

Clinton was on the defensive throughout the news conference, but got angry and thumped his podium when defending his wife, Hillary Rodham Clinton, and suggesting Republicans were unfairly attacking him.

"The American people will be outraged if anybody uses this as an excuse for not doing the people's business," Clinton said.

Earlier in the day, the White House ordered its staff to scour trash cans, burn bags and files for subpoenaed paperwork, and Attorney General Janet Reno rejected a GOP request to suspend Webster Hubbell, an associate attorney general and Clinton confidante.

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House Minority Whip Newt Gingrich had asked Reno to suspend Hubbell until questions are resolved about his involvement in Whitewater. But Reno wrote Gingrich that there was no basis for such action.

Friday's subpoenas were issued after the White House acknowledged three meetings in which Clinton aides discussed the government's Whitewater investigation with Treasury Department officials. Clinton said he had been unaware of two of those, and said the third dealt with some "press matter."

Also, he said he was informed last October that the Resolution Trust Corp. was investigating whether his gubernatorial campaign had received improper donations from a Little Rock savings and loan. But Clinton said he could not recall who told him, or exactly when he was informed. The savings and loan was run by the Clintons' partner in the Whitewater Development Corp.

Many of the questions about Whitewater centered on Mrs. Clinton, who did legal work for the savings and loan run by James McDougal. When asked about a report that she had law firm records shredded, Clinton said firms "dispose of documents all the time" and said there was no evidence that the records dealt with the Whitewater land deal or Madison Guaranty Savings and Loan.

From there, he launched into an assertive defense of his wife. "Her moral compass is as strong as anybody's in this country," Clinton said. "I do not believe for a moment that she has done anything wrong."

Again and again as he was peppered with questions, Clinton insisted that the there was no evidence that his staff had done anything wrong. And he said there was no allegations that he had done anything illegal or improper as Arkansas governor, either.

He acknowledged the heated political environment but implored the American public and his Republican critics to hold their criticism until the special counsel's investigation is complete.

"They will find the truth," Clinton said. "Let them do it and let us get about our business."

White House employees returned to work after a remarkable weekend: A special counsel subpoenaed 10 administration officials Friday to find out more about private White House briefings on a confidential government inquiry into Whitewater. And the controversy claimed its first victim Saturday, with White House counsel Bernard Nussbaum announcing his resignation.

To comply with the subpoena, deputy counsel Joel Klein issued a four-page memo today detailing how to gather documents - including electronic mail - relating to the briefings and ordered the paperwork turned over to his office by 8 p.m. EST. The subpoena requires the White House to provide the documents by Thursday.

"Each staff member must take personal responsibility for complying with this subpoena in full," said the memo. Staff members were required to sign statements vouching for their efforts to comply, and department heads were made responsible for their workers' compliance.

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"We could have done things a lot better here at the White House," senior presidential adviser George Stephanopoulos acknowledged this morning. But, he said, "I would point out as well that we have been fully cooperating with the special counsel in every way."

Myers said Clinton will move quickly to replace Nussbaum, who resigned Saturday under fire, but will remain on the job until next month.

Rep. Jim Leach of Iowa, the ranking Republican on the House Banking Committee, appearing with Stephanopoulos on NBC, warned that "unless this White House operates with a greater sense of the law ... it is going to find itself in far worse shape than it has any reason to be."

The Washington Times reported today that during the 1992 presidential campaign, Hillary Rodham Clinton summoned couriers from the Rose Law Firm in Little Rock to the Arkansas executive mansion, where she gave them records to be shredded.

Special prosecutor Robert Fiske has subpoenaed White House officials involved in the Whitewater briefings.

Fiske is trying to learn whether funds from the failed Madison Guaranty Savings and Loan were diverted to the Whitewater Development Corp., a real estate venture owned jointly by the Clintons and James McDougal, the S&L's owner. The prosecutor also is investigating whether Madison funds were improperly used to help retire Clinton's 1984 gubernatorial campaign debt.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 7, 1994

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LEVEL 1 - 3 OF 14 ITEMS

The Associated Press

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March 7, 1994, Monday, PM cycle

SECTION: Domestic News

LENGTH: 825 words

HEADLINE: Clintons Took Whitewater Deductions, Associates Say They Were Reimbursed

BYLINE: By BILL SIMMONS, Associated Press Writer

DATELINE: LITTLE ROCK, Ark.

BODY

Two business associates say President Clinton and his wife were reimbursed for more than $ 1,400 in Whitewater-related property taxes that they had deducted from their personal income taxes.

A copy of a Whitewater Development Corp. check register, obtained by The Associated Press, indicates a check was written to repay Hillary Rodham Clinton for at least one of the payments, which totaled less than $ 144.

Tax law generally prohibits taxpayers from claiming real estate tax deductions on their personal returns when they are reimbursed or when they are paying a tax on behalf of their corporation or another property owner.

White House adviser Bruce Lindsey said the Clintons "don't have any documentary evidence establishing they were reimbursed." He said the deductions on the Clintons' returns represented Whitewater-related real estate taxes they paid.

"Their income taxes were prepared and filed by an independent CPA and we assumed the deductions were correct," Lindsey said.

Yoly Redden, the accountant who prepared the Clintons' returns, did not return a call to her office Friday seeking comment.

The deductions, which occurred in 1984 and 1988, aren't the first involving Whitewater to raise questions about the first family's personal returns.

During the 1992 campaign, the Clintons acknowledged claiming two years of interest payments on a Whitewater loan that they had not made. They voluntarily repaid the amount, including penalties.

The issue of taxes is just one of many swirling around the Clintons as

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special prosecutor Robert Fiske begins an investigation into the business dealings of prominent Arkansans.

That probe is focusing on Whitewater Development Corp., the land venture co-owned by the Clintons, and the failed Madison Guaranty Savings and Loan owned by James McDougal, the Clintons' business partner in Whitewater.

One of the Whitewater real estate tax deduction the Clintons claimed was $ 1,275 in 1988, their tax returns indicate.

Chris Wade, an Arkansas real estate agent who helped Whitewater in the mid-1980s, said his agency originally made payments in that amount in 1988 for taxes on several Whitewater lots, some of which had fallen in arrears.

Tax records in Marion County, Ark., where the real estate venture was located, confirm Wade's Ozarks Realty made payments on behalf of several Whitewater lots.

Wade said he later asked Mrs. Clinton in 1988 to pay him back and she did so by writing him a check.

He said Mrs. Clinton, however, was subsequently reimbursed after Whitewater lot-owners were sent a letter asking them to make payments to cover their taxes. "As those checks came in, they were turned over to her," Wade said.

Lindsey confirmed the Clintons wrote the check to Wade, saying they "were concerned about the nonpayment of real estate taxes and felt they should make good on them."

But he said he knew of no records indicating they were ever reimbursed. Wade said Mrs. Clinton might have forgotten because most of the payments would have been small - $ 50 or less.

IRS regulations in effect at the time suggest there may have been other reasons why the Clintons should not have claimed the $ 1,275 deduction.

The regulations state only the person or entity on whom the tax is directly imposed may take the deduction. "For example, a controlling shareholder who pays his corporation's taxes is not entitled to a deduction..." states a tax law guide provided by the IRS.

That guide also states that when a third party, such as Mrs. Clinton, steps in to cover someone else's taxes "and thereby acquires a right to be reimbursed, the payment should ordinarily be viewed as a loan ... rather than as a deductible payment of the tax."

The Clintons took a much smaller Whitewater-related deduction four years earlier, this involving Whitewater Lot 13 - a parcel placed in Mrs. Clinton's name in 1980, then lent back to the company.

The Clintons sold the lot in 1981 to a Mississippi man named Hilman Logan, who still owned the property in 1984, land records show.

However, Marion County records indicate Mrs. Clinton paid $ 143.65 on Oct. 10, 1984, for taxes due on Lot 13.

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The Clintons subsequently claimed a real estate tax deduction of $ 144, rounding off the amount, according to their 1984 return.

A page from a Whitewater check ledger, however, indicates the corporation reimbursed Mrs. Clinton one month after she made the payment. A handwritten notation in the ledger states check no. 000125, dated Nov. 5, 1984, was written to Mrs. Clinton for "reimbursement" of Lot 13 real estate taxes.

In an interview, McDougal said he remembered Whitewater checks reimbursing Mrs. Clinton for real estate tax payments - "more than one" - and that one year the amount was $ 143.65.

"They were always reimbursed," McDougal said.

Whatever the Clintons did with the reimbursements, they didn't put it back in Whitewater, McDougal said. "I guess they spent it," he said.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 7, 1994

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LEVEL 1 - 4 OF 14 ITEMS

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CNN

SHOW: NEWS 12:02 pm ET

March 7, 1994

Transcript # 550-1

TYPE: Live Report

SECTION: News; Domestic

LENGTH: 748 words

HEADLINE: Congressional Hearings Into Whitewater Are Likely

GUESTS: GEORGE STEPHANOPOULOS, Senior Policy Adviser

BYLINE: WOLF BLITZER

HIGHLIGHT
It looks as if Congress is going to go forward with hearings into Whitewater, despite oppostion from the White House. The president's staff is denying any comparisons between Whitewater and Watergate.

BODY
REID COLLINS, Anchor: Dogged by the Whitewater controversy through the weekend, the Clinton administration is making a concerted effort now to focus attention elsewhere today. Well, is it working? CNN senior White House correspondent Wolf Blitzer joins us, and with an assessment. Wolf?

WOLF BLITZER, Senior White House Correspondent: Reid, the president and his senior staff are trying to project a business-as-usual atmosphere here at the White House despite the latest extraordinary developments involving the Whitewater investigation. But it looks increasingly likely that Congress, under pressure from Republicans, will now have to go forward with congressional hearings on Whitewater, something the White House and its supporters in Congress have been hoping to avoid.

The president returned to the White House within the past hour or so from a Habitat for Humanity home dedication ceremony here in Washington. Press Secretary Dee Dee Myers says she does not know whether the president or the first lady was informed of three controversial meetings between treasury officials and the White House staff on the course of the Madison Guaranty Savings and Loan investigation before they were reported in the news media. Officials expect that to be the big question Mr. Clinton is asked later today at his news conference with visiting Georgian leader Eduard Schevardnadze. They also say the president expects to quickly name a successor to White House Counsel Bernard Nussbaum, who resigned under pressure on Saturday.

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GEORGE STEPHANOPOULOS, Senior Policy Adviser: Well, first, the chief of staff right now is working on finding a new White House counsel, and we expect to have an announcement very, very soon. It will be a person of unimpeachable integrity, Washington experience, and somebody who when the choice is made people will say, 'Yes, the situation is under control,' number one. Number two, the president has sent out a memo saying there should be no contacts whatsoever with any investigatory agencies without clearance by the White House counsel. Obviously, we have to have some contact in order to answer press inquiries and talk with members of Congress who are conducting investigations, but all of those contacts must be cleared before anything else happens. And beyond that there should be no contact whatsoever with the investigative agencies, and we're going to get back to work.

BLITZER: Meanwhile, garbage is piling up at the White House, including it would seem here, in the press briefing rooms, as officials await the release later today of yet another memo from Deputy Counsel Joel Kline [sp?] explaining how they must go through their wastebaskets and all sorts of other material to retrieve any documents or related information subpoenaed Friday night by Special Counsel Robert Fiske. There's been no garbage collection since Friday. Six White House officials and four current and former treasury officials have been subpoenaed to testify this coming Thursday. Meanwhile, the politics of all of this seems to be getting rough indeed. The Press Secretary Dee Dee Myers this morning suggested that Republican accusations that there may be some similarity between Whitewater and Watergate are simply unseemly. Reid.

COLLINS: Wolf, how- you mentioned at the outset there might be Republican led investigations on the Hill, but you couldn't investigate any of the principals at those controversial meetings because they're all under subpoena protection now, aren't they?

BLITZER: That's correct. And that's going to make congressional hearings a bit more difficult, though the Republicans, including Jim Leach of Iowa and Senator Dole, as well as Newt Gingrich the Minority Whip, all of them are demanding that there be formal hearings. And this morning the House Speaker Tom Foley did indicate that there may, in fact, be some sort of hearings regarding Whitewater and the Madison Guaranty Savings and Loan investigation. So, even though there will be problems as far as the subpoenas are concerned, the hearing on Capitol Hill almost certainly will go forward at this point.

COLLINS: All right. Wolf Blitzer, live at the White House, thank you.

The preceding text has been professionally transcribed. However, although the text has been checked against an audio track, in order to meet rigid distribution and transmission deadlines, it may not have been proofread against tape.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 7, 1994

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LEVEL 1 - 5 OF 14 ITEMS

Copyright 1994 The Houston Chronicle Publishing Company
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March 7, 1994, Monday, 2 STAR Edition

SECTION: A; Editorials; Pg. 14

LENGTH: 373 words

HEADLINE: NOW A VERY BIG DEAL;
Fast and loose ethics transform Whitewater probe

BYLINE: Staff

BODY

What the Clinton White House has done in playing fast and loose in ethical conduct is to transform what has not been widely perceived as a big deal into a very big deal indeed.

The Whitewater/ Madison Guaranty affair, and the possible involvement in it of President and Mrs. Clinton -- particularly her -- has never really caught on. Part of the reason for that is in what the White House has fairly been insisting: No one has charged the Clintons with any specific wrongdoing.

By far an even larger part of the reason is that the possible illegalities arising out of this saga of a failed real estate development and its dealing with a failed savings and loan, dating back to the Clintons' Arkansas days, could not be explained in less than six paragraphs. It certainly could not be explained in a television-news sound bite.

That changed dramatically with events over the weekend: Grand Jury subpoenas served on the White House and top Clinton aides; forced resignation of White House Counsel Bernard Nussbaum. Now all the complexities of Whitewater/ Madison Guaranty can be reduced to: ""Probing possible White House interference with, and perhaps attempts to influence a criminal investigation of Bill and Hillary Clinton. ''

That is simple, easily explainable and easily understood, attention-grabbing -- and not easily explained away. Nussbaum was involved in -- allowed -- meetings of top White House officials with the very people who were probing the Clintons, the aim of which was to talk about that probe. Nussbaum, and everyone involved in those meetings, on both sides, knew they were wrong, yet they kept occurring.

Nussbaum deserved to go. He displayed ethical shortcomings before in involving the FBI in the mass firings at the White House travel office and in removing files, before the police investigation, from the office of White House official Vincent

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Foster after Foster committed suicide.

But Nussbaum did not operate in a vacuum. This is Bill and Hillary Clinton's White House. They set its tone and direction, particularly in resisting inquiry into Whitewater/ Madison Guaranty.

They held some part of the gun with which the White House shot itself in the foot.

LANGUAGE: ENGLISH

TYPE: Editorial Opinion

LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 6 OF 14 ITEMS

Copyright 1994 The New York Times Company
The New York Times

March 7, 1994, Monday, Late Edition - Final

SECTION: Section A; Page 1; Column 1; National Desk

LENGTH: 1164 words

HEADLINE: Whitewater Issue May Prove Costly to Clinton in Congress

BYLINE: By MICHAEL WINES, Special to The New York Times

DATELINE: WASHINGTON, March 6

BODY

For months, Republicans have pressed the White House and Congress's Democratic majority to look into the involvement of Federal agencies in the Whitewater affair. For months, the White House and Democrats have replied with a stiff-arm.

Now, if the talk on Capitol Hill is any indication, President Clinton is about to reap the whirlwind of that policy in Congress.

In the House, the top Republican on the Banking Committee, Representative Jim Leach of Iowa, predicts disclosures of "blockbuster proportions" about the Whitewater matter in two weeks, when the panel holds its semiannual hearing on the progress of the Federal savings-and-loan bailout.

Mood of 'Increasing Unease'

In the Senate, Republicans now promise to block approval of Mr. Clinton's nominee to head the Federal Deposit Insurance Corporation -- and consideration of other nominations -- until Democrats convene formal hearings on Whitewater.

More ominous for the White House, Congressional Democrats who have accepted the Administration's assertions of innocence, and dismissed Republican protests, are suffering their first twinges of anxiety about their own exposure.

An adviser to one prominent Democrat describes the mood among those senators as "increasing unease."

"This latest stuff is troubling for some people," said an aide to another Democratic senator who would probably sit in on a Whitewater inquiry. "We used to get on Ed Meese for this sort of thing, and it's a little tough to have a different standard now."

Mr. Meese was the Attorney General in the Reagan Administration whom the Democrats accused of mingled political and personal imperatives with his Federal law-enforcement duties.

Democrats had been able to safely ignore Republican questions about

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Whitewater because the matter is so complex and arcane as to be incomprehensible to many. But the disclosure that the Treasury Department secretly told the White House about a Federal inquiry into Whitewater is all too clear, and it has robbed Mr. Clinton of his White House counsel and Congressional Democrats of their best defense.

Mr. Clinton's latest misfortune could hardly have come at a more opportune time for the handful of Republicans who have been quietly gathering evidence in the Whitewater affair without any Congressional forum in which to present it.

Mr. Leach has been calling for months for the House Banking Committee to make at least a tentative inquiry into ties between Mr. Clinton's Whitewater Development Company and an Arkansas savings and loan association, Madison Guaranty, that was taken over by the Resolution Trust Corporation, the Federal savings and loan bailout agency.

Except for the Democratic agreement to hold an overdue and legally required hearing later this month on the progress of the bailout program, Mr. Leach says his requests have been stonewalled.

'Increasingly Troubled'

So he has sent his own banking experts to Arkansas to conduct their own inquiry. And he has accepted a stream of tips and leads from whistle-blowers who, he says, are afraid to talk to reporters and Federal investigators.

As a result, Mr. Leach said in an interview last week that he was "increasingly troubled" by the pattern of conduct in the Whitewater affair.

"There appears to be a greater pattern of activity related to savings and loans than was originally known," Mr. Leach said. "It's becoming increasingly doubtful in my own mind that, from a tax perspective, this was appropriately reflected. From an ethical perspective, arrangements appear to have been dubiously entered into."

Mr. Leach refused to elaborate, but he said he planned to present more details at the March 24 hearing on the Federal bailout program unless the Administration made its own clean breast before that.

Elsewhere, the ranking Republican on the House Small Business Committee, Jan Meyers of Kansas, has dispatched aides to examine financial ties between Whitewater Development and an Arkansas company accused of fraudulently obtaining Federal small-business loans.

In the Senate, the heaviest Whitewater labors have been performed by Senator Alfonse M. D'Amato of New York, the chief Republican on the Banking Committee, and Lauch Faircloth, a Republican from North Carolina who sits on the same panel.

Mr. D'Amato began pressing the Whitewater issue in the banking panel months ago, and was shunned by the committee's Democrats and the Treasury Department. In retrospect, one Democratic Senate aide said last week, that was a mistake.

Then Democrats made another mistake: they attacked Mr. D'Amato personally.

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The head of the Democratic National Committee, David Wilhelm, mocked the Senator for raising questions of ethics, asserting in a letter recently that Mr. D'Amato had committed perjury before a Long Island grand jury 19 years ago.

Mr. D'Amato is still livid about the letter, especially since his original accusation of an ethical violation involving Whitewater now appears vindicated. He has since lined up 42 of his 43 fellow Republicans in the Senate -- the exception is Mark O. Hatfield of Oregon -- to block the nomination of Rikki Tigert, a longtime friend of Hillary Rodham Clinton, to head the Federal Deposit Insurance Corporation. And the Senate Republican leader, Bob Dole of Kansas, hints that other nominations may be blocked unless Democrats schedule Whitewater hearings.

Mr. D'Amato said of the Democrats: "I don't put anything past them. Eventually you have to say something smells rotten in Little Rock."

Parallel Investigation

The impact of any Congressional hearings on the independent inquiry into Whitewater by the special counsel, Robert B. Fiske Jr., is uncertain. Democrats like Senator Patrick J. Leahy of Vermont argue that hearings would hinder the inquiry, just as the 1987 hearings on the Iran-contra affair hindered the criminal investigation into the scandal by giving some witnesses immunity from prosecution.

But Republicans note that Congress has held scores of other investigative hearings without damaging later prosecutions.

Mr. Clinton has accused the Republicans of acting in a "blatant, bald and totally political way" in calling for hearings on Whitewater. But the Republicans insist they are driven more by a legislative duty to uphold Government integrity than by politics. If anyone is playing politics, they say, it is the Democrats who control Congress.

Indeed, the same House Banking Committee that refuses to examine Whitewater held long hearings in 1990 into a bankrupt Colorado savings and loan association whose directors included President George Bush's son Neil.

Senate Democratic leaders had scoffed at the need for hearings. But privately, an aide said on Friday, the leadership is debating whether to hold a limited hearing on the independence of the Resolution Trust Corporation, if only to silence Republican accusations of stonewalling. "We're going to be mired in this until we do what they want," the aide said.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 7, 1994

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LEVEL 1 - 7 OF 14 ITEMS

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March 7, 1994, Monday, Late Edition - Final

SECTION: Section B; Page 6; Column 1; National Desk

LENGTH: 1157 words

HEADLINE: Day of TV Defense for Administration on Whitewater

BYLINE: By DOUGLAS JEHL, Special to The New York Times

DATELINE: WASHINGTON, March 6

BODY

Vice President Al Gore offered a vigorous defense of President Clinton today, but acknowledged that "mistakes have been made" in the handling of an inquiry into an Arkansas land venture and that the White House must approach the case from now on with "hypersensitivity."

To underscore that commitment, senior Administration officials said Mr. Clinton would move within days to replace Bernard W. Nussbaum, the White House counsel who is stepping down over the matter, with a successor with Washington experience and a background that is beyond reproach.

A leading candidate is Charles F. C. Ruff, a former United States Attorney here who was most recently considered for the job of Deputy Attorney General. One Administration official said the White House was already "very far down the road" in talking with Mr. Ruff about the counsel post.

Mr. Gore's defense of the Administration comes after a week in which Mr. Nussbaum and five other senior White House aides received subpoenas to testify about their contacts with Federal officials investigating a failed Arkansas savings and loan whose owner was a partner with Mr. Clinton and his wife, Hillary, in the land venture. The subpoenas were issued by Robert B. Fiske Jr., the special counsel investigating the Clintons' involvement in the land venture, the Whitewater Development Company, and the savings and loan, Madison Guaranty.

Today, on the NBC program "Meet the Press," Mr. Gore blamed Republican opportunism for the growing prominence of a case in which he said there was no evidence of wrongdoing.

But the Vice President and other senior officials who appeared on television news programs to defend Mr. Clinton acknowledged that his political problems had been compounded by the poor judgment shown by his staff. With the President facing criticism for relying too heavily on a narrow circle of aides, George Stephanopoulos, a senior adviser to Mr. Clinton, said on the ABC program "This Week" that a "heavyweight" would be installed as the new White House lawyer.

If Mr. Ruff is not the new counsel, the White House chief of staff, Thomas F.

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McLarty 3d, was hoping to persuade someone else who had weathered the storms of previous Administrations to take up the post, officials said.

"Here, the individual is the message," a senior White House official said. "It will be someone who has unquestioned integrity, unquestioned legal skills, unquestioned Washington experience, and commands authority and respect."

Mr. Ruff would not comment today on whether he was a candidate for the job, which does not require Senate confirmation. The White House has passed him over three times for appointments that would require confirmation by the Senate, including Attorney General, in part because he has acknowledged having failed to pay Social Security taxes for a household employee.

Asked about Mr. Ruff in an interview tonight on CNN, Mr. McLarty praised him as "a person of distinction" but refused to say whether he was being considered for the job.

With the White House still reeling after last week's disclosure of unorthodox contacts between Clinton aides and Treasury Department officials prompted the string of subpoenas and forced Mr. Nussbaum's resignation, senior officials nevertheless described a sense of urgency tonight about settling on a successor.

Mr. Nussbaum took part in all three meetings at which he and other White House officials were given information about the status of a confidential inquiry by the Resolution Trust Fund, the agency overseeing the Federal bailout of the savings and loan industry, into Madison Guaranty.

Administration officials said they hoped that the choice of a new White House counsel would add a positive note to what has been a string of bad news about the Fiske inquiry. But as Republicans continued their criticism today, the officials said they recognized that more defenses like those mounted by Mr. Gore, Mr. Stephanopoulos and Mr. McLarty would be needed.

On "This Week," Senator Phil Gramm, the Texas Republican who is considering a bid for the White House in 1996, called on Mr. Clinton to "begin leveling with the American people." He said Mr. Clinton was "getting deeper in a hole" that threatens his Presidency.

But when asked about the inquiry being conducted by Mr. Fiske, Mr. Gore repeatedly called for "perspective."

"Every bit of information has been given over," the Vice President said. "The President called for the appointment of a special counsel. The President voluntarily gave the documents to the special counsel. Everything's that's been asked for is being given."

While saying there was "still no credible allegation of wrongdoing by anyone in the Administration," Mr. Gore acknowledged that "mistakes have been made" in the White House's handling of the matter, including by those who took part in the meetings.

'No Appearance of Conflict'

That passive way of admitting fault echoes the roundabout constructions favored by past Administrations, as well as the White House's own admission last

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summer that it had mishandled the dismissals of employees in the White House travel office.

But from now on, Mr. Gore pledged this morning: "There will be hypersensitivity to every new step involved here so that there will not only be no conflict, but no appearance of conflict."

The six White House officials and four Treasury officials who received subpoenas last Friday must all report to Federal District Court here on Thursday to provide testimony sought by Mr. Fiske.

Because the White House itself also received a subpoena for documents related to those contacts, every official there through Monday must abide by an edict that prohibits wastebaskets from being emptied and computer files from being purged until their contents can be scrutinized to determine if they must be handed over to Mr. Fiske.

In addition to Mr. Nussbaum, the White House officials compelled to appear at the courthouse are Harold M. Ickes, the deputy chief of staff; Bruce Lindsey, a senior adviser to Mr. Clinton; Mark D. Gearan, the communications director; Maggie Williams, Mrs. Clinton's chief of staff, and Lisa Caputo, her press secretary, all of whom were named in news accounts as having taken part in at least one of the meetings with the Treasury officials.

To complicate the matter further, Mr. McLarty acknowledged on CNN today that one of the three sessions had been arranged by his office and that he had known about it in advance.

In seeking a replacement for Mr. Nussbaum, White House officials acknowledged today that their constraints were not just self-imposed. In a television interview, Senator Daniel Patrick Moynihan, the New York Democrat, said it was important that Mr. Clinton choose as his counsel "someone who is not a friend of anybody working there now, but is a friend of the institution of the Presidency and will be a good attorney for the President."

GRAPHIC: Photo: Vice President Al Gore defending President Clinton on the NBC program "Meet the Press." (Associated Press)

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LEVEL 1 - 8 OF 14 ITEMS

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March 7, 1994, Monday, Late Edition - Final

SECTION: Section A; Page 17; Column 5; Editorial Desk

LENGTH: 722 words

HEADLINE: Essay;
No Client Privilege

BYLINE: By WILLIAM SAFIRE

DATELINE: WASHINGTON

BODY

I called Bernard Nussbaum last Wednesday to find out whether he had hired a lawyer for himself; he had not. Further poking-about revealed that no White House aides had yet been asked about their cozy consultation with "investigators," nor had a warning been issued about destroying notes of the improper meeting.

The barb here about that laxity, made puissant by The Washington Post's stunning revelation of two similar abuses of White House influence, helped get the non-independent counsel off his duff.

Mr. Nussbaum seemed a lonely man last week; it turns out he was in the midst of a four-day White House freeze-out, which ended in a 90-minute Presidential session Friday night. He must have argued to Mr. Clinton that the recent meeting that precipitated the firestorm was the handiwork of a blundering "damage control" aide, not the White House counsel.

But Nussbaum had attended without objection; taken with previous episodes of zealous protection of the President, it made him the first to be cast off the sled.

A confession: I like the scrappy Bernie Nussbaum and admire his loyalty. He is neither an evil genius nor a political shmegegge. But his feisty resignation blasting "those who do not understand . . . the role and obligations of a lawyer" shows how the aide called "the President's lawyer" thinks that is what he is.

He is not. The White House counsel is supposed to advise the President on official, governmental matters only -- not on any personal action taken before or after his inauguration. Deputy counsel Vincent Foster, before his apparent suicide, was ignoring that restriction in protecting the Whitewater file; Mr. Nussbaum then continued that protection by secretly sending the personally embarrassing file to the Clintons' private attorney.

A precedent on "privilege": A generation ago, Nixon counsel James St. Clair called acting Attorney General Laurence Silberman to complain about the special

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prosecutor's call of another attorney helping Nixon, Fred Buzhardt, to appear before a grand jury. What about attorney-client privilege? Silberman, now a Federal appellate judge, advised there was no such privilege: Buzhardt worked for the government, not for Nixon personally. Astonished, St. Clair said "Then that applies to me." Which it did.

The White House counsel's only real "client" is the people; no government official can claim attorney-client privilege in consulting him. But on official matters, he and the President sometimes claim confidentiality through a modern notion of "executive privilege." That may be why Nussbaum -- with the Clintons' interests at heart -- fought the impulse of uninformed White House spin doctors to make him the scapegoat.

Why does he want to remain until April 5? Not for the stated "orderly transition," which his deputy could handle, or to stay on the public payroll, which costs the successful corporate lawyer $150,000 a month. Perhaps he lingers to maintain a semblance of executive privilege before a grand jury, which will diminish after he is set adrift.

Three days from now, that grand jury will watch an ill-prepared prosecutor examine a parade of meeting participants. Having moved too slowly last week, Robert Fiske is moving too hastily this week, putting on a dramatic show of prosecutorial muscle, letting us in the media jerk his chain. (Free the "Clinton 10"!)

He should first interview all the participants and their aides, basing specific questions on subpoenaed notes, calendars and computer records. He would discover how best to obtain sworn testimony from seekers or disclosers of investigative data, as well as any participation by potential targets in selecting Fiske as their investigator.

In this fair and systematic way, grand jury testimony could be taken to reconstruct meetings with the Clintons -- as, for example, in the period just after the Foster death and before Nussbaum's turnover of the 27 pieces of a note. (Ink your thumbs and tear a single page four times; I get 32 pieces and thumbprints all over.) Did Hillary know Foster kept the Whitewater file?

To defend themselves, the President and First Lady cannot turn with privileged confidence to the replacement White House counsel. The Clintons, with no personal fortune, are entitled to private support from a legal-defense fund. Start one now.

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LEVEL 1 - 9 OF 14 ITEMS

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USA TODAY

March 7, 1994, Monday, FINAL EDITION

SECTION: NEWS; Pg. 6A

LENGTH: 819 words

HEADLINE: Nussbaum odyssey: Watergate to Whitewater

BYLINE: John Hanchette, Gannett News Service

DATELINE: WASHINGTON

BODY

The polite exchange of letters Saturday between President Clinton and his resigning chief counsel Bernard Nussbaum merely hinted the ballooning Whitewater affair was at the bottom of the top lawyer's departure.

But White House watchers know there are plenty of reasons the tough-as-nails lawyer quit besides the mysterious land deal in the Ozarks, now the subject of subpoenas served on key Clinton administration figures.

Nussbaum was controversial at the White House right from his early 1993 start.

In recent days, Clinton pointedly passed up repeated chances to defend Nussbaum from charges of meddling in federal probes of the Whitewater venture and its ties to a savings and loan run by friends of the Clintons.

"Your friendship and advice have meant a great deal to me," Clinton wrote Nussbaum in accepting his resignation. He noted the role Nussbaum played in helping select Attorney General Janet Reno, FBI director Louis Freeh, and Supreme Court justice Ruth Bader Ginsberg.

He added, "You gave this administration one of its liveliest spirits and keenest minds."

He might well have added: "and biggest headaches."

For Clinton was angered, aides say, over revelations Nussbaum met privately last fall and winter with Treasury officials to hash over the federal inquiry into the failed Madison Guaranty Savings & Loan.

Several White House aides have groused about the intransigence of Nussbaum in fighting the appointment of a special counsel who could clear the Clinton name.

The criticism has included Nussbaum's involvement in:

-- The sporadic search for an attorney general as two candidates failed because Nussbaum apparently shrugged off the fact they hadn't paid taxes on

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their nannies.

-- The failed nomination of Lani Guinier to the Justice Department's top civil rights job when Clinton was not briefed on her controversial writings about minority representation.

-- The firing - later reversed - of the White House travel staff, to replace them with a Clinton relative and to open the White House air charter business to a firm partly owned by Clinton friends.

But Nussbaum's eventual departure began with his removal of Whitewater papers from the office of his deputy, Vincent Foster - after Foster's apparent suicide July 20 but before police and FBI agents were allowed in his office.

Nussbaum's departure resounds with irony - his resignation Saturday came 20 years to the day the House Judiciary Committee instructed its lawyers to obtain Watergate tapes and documents from President Richard Nixon. That panel's senior staff lawyer: Nussbaum.

And Nussbaum's aide was a promising young lawyer from Yale named Hillary Rodham - now the first lady and a key character in the burgeoning drama of Whitewater.

"I now believe I can best serve you by returning to private life," Nussbaum wrote Clinton.

"He served the president loyally and faithfully, and I'm not going to criticize him," senior advisor George Stephanopoulos said on ABC's This Week with David Brinkley.

As for a replacement, Vice President Gore said on NBC's Meet the Press, "There is no leading candidate . . . as of yet. I would expect you'd see movement . . . pretty quickly."

Nussbaum, a millionaire who turns 57 in two weeks, was an influential Wall Street lawyer - making $ 1.8 million the year before he joined the White House.

He owns a Park Avenue apartment, a home in Scarsdale, a condo in Puerto Rico, and a New York Giants Stadium skybox.

A Columbia and Harvard Law graduate, Nussbaum probably enjoyed his personal zenith of favorable publicity in 1990, when he saved the venerable Manhattan law firm of Kaye, Scholer, Fierman, Hays and Handler.

The firm had its assets frozen by the federal government, which was seeking $ 275 million in fines and penalties for its questionable representation of convicted savings and loan felon Charles Keating.

Nussbaum negotiated the fines down to $ 41 million - $ 25 million of it covered by insurance. The win led him to ignore media criticism.

"The judgment I look to is not the judgment of The New York Times, but the judgment of history," he told Gannett News Service last summer. "I will continue to serve as long as the president believes I am performing well for him."

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Last summer, Nussbaum recalled that in 1974 he saw a president "destroyed by his own paranoia, and by assistants who fed that paranoia rather than resist it. That's a strong memory. I am the lawyer for a totally different kind of president."

Nixon's White House counsel, John Dean, ultimately provided the key evidence and testimony that his boss tried to cover up White House involvement in the 1972 burglary at Democratic headquarters in the Watergate apartments.

For a full week in 1974, Nussbaum sat by Dean's side, switching a tape machine on and off so Dean could interpret the whispered, convoluted instructions on Nixon's notorious Oval Office recordings.

GRAPHIC: PHOTO, b/w, Matt Mendelsohn, USA TODAY; PHOTO, b/w, Joe Marquette, AP; PHOTO, b/w, USA TODAY

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LEVEL 1 - 10 OF 14 ITEMS

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USA TODAY

March 7, 1994, Monday, FINAL EDITION

SECTION: NEWS; Pg. 6A

LENGTH: 1009 words

HEADLINE: Behind Whitewater, and what's ahead

BYLINE: Dennis Cauchon

BODY

Here is a look at some of the ethical and legal questions raised in the Whitewater land deal investigation, which led to the resignation of White House counsel Bernard Nussbaum:

-- Whitewater. The Whitewater controversy's roots go back to 1978, when Bill and Hillary Clinton became partners with James McDougal in a 230-acre parcel of land in north Arkansas. McDougal later owned Madison S&L, which went broke and cost taxpayers more than $ 47 million. Questions about the Whitewater investment led to a broader probe of the ethics of the Clintons and their associates.

-- James McDougal. A bankruptcy trustee in Los Angeles is investigating whether McDougal improperly hid his ownership of Whitewater when he filed for bankruptcy in 1991. Also, Madison, under McDougal, may have improperly funneled money to pay off Clinton campaign debts in 1985. Arkansas judge David Hale, indicted for defrauding the Small Business Administration, claims Clinton pressured him to make an SBA-backed loan to a company owned by McDougal's wife, Susan.

-- Handling of investigation. The Clintons' handling of the Whitewater matter has raised more questions, especially Nussbaum's handling of documents and meetings. Aides say President Clinton was not told about the three meetings that led to Nussbaum's resignation and learned of them from news reports.

STATUS: Clinton has promised full cooperation with special prosecutor. Hale goes on trial March 28.

POSSIBLE PROBLEMS: The Clintons could face civil or tax liabilities. Aides could lose jobs. But the most serious threat is political damage, which appears to have hurt chances for health-care reform.

VINCENT FOSTER SUICIDE

Deputy White House counsel Vincent Foster was found dead of a bullet wound to the head in an apparent suicide on July 20, 1993. His boss, Nussbaum, searched Foster's office before U.S. Park Police did, and removed Whitewater files. Foster's Whitewater files were turned over to Clinton's private lawyer, David Kendall. In an unusual deal, Kendall negotiated terms under which those files were subpoenaed by the Justice Department.

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STATUS: Special prosecutor Robert Fiske has reopened investigation into Foster's death.

POTENTIAL PROBLEMS: Fiske could challenge the suicide ruling and say Nussbaum's removal of Whitewater files had obstructed the Park Police inquiry.

WHITE HOUSE MEETINGS

White House staffers met three times with government officials investigating Whitewater, particularly the connection between the Clintons and the failed Madison Guaranty Savings & Loan. Republicans charge that the meetings were improper, possibly an obstruction of justice. Nussbaum attended all three meetings.

-- September 1993. Treasury Department general counsel Jean Hanson tells Nussbaum the Clintons have been named in criminal referral involving Madison S&L but not accused of wrongdoing.

-- October 1993. High-ranking White House and Treasury Department officials meet in Nussbaum's office to discuss the criminal referrals. White House officials include Nussbaum, communications director Mark Gearan and senior adviser Bruce Lindsey, who's handling Whitewater response. Treasury officials include the department's general counsel, chief of staff and press secretary.

-- February 1994. Deputy Treasury Secretary Roger Altman meets with Nussbaum, White House deputy chief of staff Harold Ickes and Hillary Clinton's chief of staff Margaret Williams. Altman is acting chief of the Resolution Trust Corp., which handles S&L bailouts. Altman says the meeting was designed to give the White House "a heads up" on RTC procedures.

STATUS: Nussbaum resigns as White House counsel, effective April 5. Altman withdraws from participating in Whitewater on Feb. 25, a day after revealing the meetings. White House chief of staff Thomas "Mack" McLarty issues memo admonishing White House staff against further meetings. Fiske expands probe to include the three meetings and subpoenas Nussbaum, Altman and others involved. Treasury and RTC inspectors general asked to investigate propriety of meetings.

POSSIBLE PROBLEMS: Fiske could conclude the meetings were an illegal effort to obstruct the Whitewater probe. The meetings also may have violated federal ethics rules.

THE ROSE LAW FIRM

-- Web Hubbell. Associate Attorney General Hubbell represented federal regulators in a suit against the accountants of Madison S&L, although his father-in-law was a major borrower from Madison.

Also, the Rose Law Firm is researching whether Hubbell improperly billed some clients and charged personal expenses to the firm. The Rose Law Firm inquiry includes expenses the firm had to pay in a parking meter patent suit in which Hubbell represented his in-laws.

-- Shredded documents. A courier said the Rose Law Firm recently shredded some documents that came from boxes that had Vince Foster's initials on them. Foster, Hubbell and Hillary Clinton were partners in the Rose Law Firm.

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-- Dan Lasater. The Chicago Tribune has raised questions about Hillary Clinton's role in representing federal regulators in a suit against a Clinton family friend. The regulators, on behalf of a failed Illinois S&L, sued an Arkansas securities firm owned by Dan Lasater, who was a contributor to Clinton campaigns and involved with the cocaine conviction of Clinton's brother Roger. The $ 3.3 million suit against Lasater was settled for $ 200,000.

STATUS: Fiske called the courier before a grand jury last week to testify about shredded documents. Rose Law Firm assured him no relevant documents were being destroyed. Hubbell denies all wrongdoing. Federal regulators determined the law firm hadn't violated conflict-of-interest rules in the Madison case. Fiske is reviewing the Lasater issue.

POSSIBLE PROBLEMS: Fiske could find the law firm tried to thwart his probe. Hubbell could lose his job, be censured for his Madison role and end up in a legal dispute with his old firm. Hillary Clinton could be censured for representing the government in a suit against a friend.

GRAPHIC: PHOTO, b/w, Democrat-Gazette; PHOTO, b/w, White House; PHOTO, b/w, AP; PHOTO, b/w, Danny Johnston, AP

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LEVEL 1 - 11 OF 14 ITEMS

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March 7, 1994, Monday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 948 words

HEADLINE: Gore Asserts 'Fire Wall' on Whitewater;
Republicans Accused Of Exploiting Issues

SERIES: Occasional

BYLINE: Ann Devroy, Washington Post Staff Writer

BODY

Top White House officials, including Vice President Gore, yesterday asserted that the White House has built a "fire wall" to guard against further "mistakes" in the handling of the Whitewater issue.

Gore and White House senior adviser George Stephanopoulos accused Republicans of exploiting the Whitewater issues that involve investment by the Clintons in the Whitewater Development Corp., an Ozarks real estate development firm, and its ties to an Arkansas savings and loan association that failed.

But Sen. Phil Gramm (R-Tex.) and others said President Clinton was "digging himself into a hole" because senior White House staff members were briefed on Whitewater issues by Treasury Department officials investigating the Madison Guaranty Savings & Loan failure and because departing White House counsel Bernard Nussbaum involved himself in the probes.

Gore, appearing on NBC's "Meet the Press," said memos issued last week to the White House staff banning discussions with outside agencies on the Whitewater and Madison matters have built a "fire wall, preventing any kind of contact on this matter between people in the White House and people who are conducting the investigation. We will have the highest ethical standards in this White House."

Gore admitted the White House had made mistakes in allowing, on three occasions, senior officials to be briefed by Treasury Department officials on the status of the Resolution Trust Corp. investigation into the failure of Madison. The RTC in October asked the Justice Department to pursue a criminal investigation of the Madison failure and named the President and Hillary Rodham Clinton as possible beneficiaries of illegal Madison practices. The Clintons were not cited for any wrongdoing.

The nine White House and Treasury officials involved in the three discussions were subpoenaed Friday by Robert B. Fiske Jr., the Whitewater special counsel, and were ordered to produce all their records and memos on the meetings at a grand jury proceeding this Thursday. In part because of his role in all three meetings, Nussbaum was forced to resign Saturday and will leave April 5.

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Gore and Stephanopoulos said yesterday Republicans were pushing the issue to harm Clinton's public standing. "There is an enormous amount of partisanship" in the issue, Gore said. "What would you do if you were in the opposition and you saw an opportunity to make a dent in this growing popularity [of the president]?" he asked.

Stephanopoulos told ABC's "This Week With David Brinkley," "The Republicans can't run on the economy. They can't run on health care. They can't run on welfare, and they can't run on crime. So they're going to try to exploit this issue." But he acknowledged, "We shouldn't help them by making mistakes. That's our fault."

The three meetings, he said, "should not have happened even though, as I have said, we don't believe anything unethical occurred" in those sessions. White House Chief of Staff Thomas F. "Mack" McLarty made the same case on CNN's "Late Edition."

McLarty acknowledged that he had arranged one of the meetings but had not attended it. That session was one in which Deputy Treasury Secretary Roger C. Altman last month briefed the deputy chief of staff, Harold Ickes; the First Lady's chief of staff, Margaret Williams; and Nussbaum on the RTC procedures for handling civil cases growing out of Madison's collapse.

McLarty said the meeting was not improper and had not alarmed him because it was "purely informational" in that its subject was information already provided to Congress and others. But in retrospect, he said the session should not have been held. Altman, who serves as acting head of the RTC because of the absence of a politically appointed head, has said the session showed "bad judgment" on his part.

Gramm, also appearing on the Brinkley show, said Clinton's trouble with Whitewater is "getting worse ... when you start getting in a position where it looks like you're covering things up... . When you start interfering with investigations, that can quickly become obstruction of justice."

Gramm called on Clinton to "make all this information public, answer all the questions and whatever dirty linen's there. It will look better now than it's going to look a month from now." If Clinton "continues to have White House counsel interfere in investigations and officials of regulatory agencies over to brief staff ... that can quickly become obstruction of justice."

If the president "wants to serve his term out, he's going to have to begin by leveling with the American people," he said.

Sen. Alfonse M. D'Amato (R-N.Y.) issued statements Saturday and yesterday saying Clinton's presidency is in danger because of the conduct of his aides. D'Amato and 42 other Republican senators have called for congressional hearings on the three sessions, but the Democrats have given little sign of relenting on what would be a forum for attacking the Clinton team.

House Ways and Means Committee Chairman Dan Rostenkowski (D-Ill.), whose committee oversees the Treasury Department, was asked yesterday on the Brinkley show if he would hold hearings on Treasury officials' roles in the three meetings. He replied that if Treasury Secretary Lloyd Bentsen calls him or if "I

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call him ... and there's a discussion, we'll take a look at it."

Administration officials have said publicly that hearings are up to the Democratic leadership in Congress, and Stephanopoulos repeated that yesterday. Another official said yesterday that because Fiske has subpoenaed documents and officials involved in the meetings, it would be difficult for them to testify before congressional hearings.

LANGUAGE: ENGLISH

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LEVEL 1 - 12 OF 14 ITEMS

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The Washington Times

March 7, 1994, Monday, Final Edition

SECTION: Part A; Pg. A14

LENGTH: 901 words

HEADLINE: Rostenkowski: Hearing on Whitewater possible

BYLINE: Ronald A. Taylor; THE WASHINGTON TIMES

BODY

House Ways and Means Committee Chairman Dan Rostenkowski yesterday became the first senior congressional Democrat to say he would consider holding hearings on the White House's handling of the Whitewater-Madison affair.

A decision would come after talking with Treasury Secretary Lloyd Bentsen, the Illinois Democrat said on ABC-TV's "This Week." The Ways and Means Committee has oversight authority over the Treasury Department.

"He hasn't discussed it with me," Mr. Rostenkowski said. "If I call him or he calls me and there's a discussion, we'll take a look at it." he said.

The chorus of criticism swelled yesterday as President and Mrs. Clinton's ties to a bankrupt thrift and failed land deal and the White House handling of a federal probe were compared to Watergate.

"Richard Nixon turned a third-rate burglary into a constitutional crisis by not leveling, by interfering in the investigation," Sen. Phil Gramm, Texas Republican, said on the same ABC program.

"I think the president can solve his problem in one simple way - make all this information public, answer all the questions, and whatever dirty linen is there, it will look better now than it's going to look a month from now or a year from now," Mr. Gramm said.

"I think the president is getting deeper in a hole, and I think if the president continues to have officials of the regulatory agencies over to the White House to brief staff, if the president continues to have White House counsels interfere in investigations, that can quickly become obstruction of justice if you're not careful about it," he said, referring to the obstruction of justice allegations facing President Nixon at the time of his resignation.

Mr. Rostenkowski is the first senior member of Mr. Clinton's party to raise the prospects of a Capitol Hill inquiry into the propriety of White House aides being briefed by Treasury Department officials about the Whitewater-Madison affair. His remarks capped a weekend of damaging developments in the affair.

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Special counsel Robert B. Fiske Jr. subpoenaed six White House officials and three Treasury Department officials Friday to testify before a grand jury that is investigating whether there was any improper connection between Whitewater Development Corp., a failed land venture in which the Clintons were partners, and Madison Guaranty Savings and Loan Association, a failed Arkansas financial institution.

On Saturday, White House Counsel Bernard W. Nussbaum resigned after the disclosure that he met Treasury officials for a briefing on the status of inquiries into Madison, the thrift owned by James McDougal, one of the Clintons' Whitewater partners.

Mr. Rostenkowski's response to a question about whether the Ways and Means Committee will hold hearings comes less than a week after Mr. Clinton appeared with Mr. Rostenkowski in Chicago in the midst of the 66-year-old lawmaker's battle to win a 19th term.

Mr. Rostenkowski and Mr. Clinton shared a platform Feb. 28 in Chicago, where Mr. Rostenkowsi is in a tough re-election battle. Mr. Rostenkowski is under federal investigation for the alleged embezzlement of $22,000 from the House post office.

White House spokesman Donald Steinberg said yesterday the administration has no comment on Mr. Rostenkowski's remarks, adding that Mr. Clinton's trip to Chicago was not a campaign trip. The topic of the president's speech that day was crime.

Sen. Alfonse D'Amato, New York Republican, told the Associated Press that because of the administration's attempt to stonewall the investigation, the issue has "the potential of being as great, if not greater, than Watergate."

The presidency is in danger, he said, "as a result of the continued conduct and the continued pattern of deception."

Vice President Al Gore, speaking on NBC-TV's "Meet the Press," acknowledged that "mistakes were made," but said the continuing criticism was being driven by partisan politics.

"I think there's an enormous amount of partisanship in it, of course," Mr. Gore said.

House Republican Whip Newt Gingrich of Georgia, in a CNN interview, denied Mr. Gore's assertion of partisan-driven allegations. "We had nothing to do with the Nussbaum resignation," he said.

"The truth is the Clintons have to grow up and face the reality" that news stories about the Whitewater-Madison affair are not connected to the Republican Party.

"The Clintons have a number of relationships that have to be looked at in a very serious way," Mr. Gingrich said.

White House Chief of Staff Thomas F. "Mack" McLarty was asked on CNN's "Late Edition" whether Mrs. Clinton was aware that Treasury Department

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officials were briefing White House officials on the status of the Whitewater-Madison probe.

"I don't believe she was; she may have been," Mr. McLarty said. "I simply don't know that." Mrs. Clinton's chief of staff attended one meeting.

Was the president aware of the meetings? "I don't believe he was," replied Mr. McLarty. "I think the meetings were arranged through my office."

Mr. Gore said the White House would attempt in the future to avoid even the appearance of impropriety.

"We will have the highest ethical standards in this White House," Mr. Gore said.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 7, 1994

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LEVEL 1 - 13 OF 14 ITEMS

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The Washington Times

March 7, 1994, Monday, Final Edition

SECTION: Part A; NEWS ANALYSIS; Pg. A1

LENGTH: 1632 words

HEADLINE: Whitewatergate ;
Observers note Nixonian twists

BYLINE: Michael Hedges; THE WASHINGTON TIMES

BODY

Subpoenas, shredded documents, special prosecutors and White House resignations: Whitewater watchers are asking one another whether they haven't heard this music before, with different lyrics. The late Nixon era, circa 1973, comes to mind.

The parallels between Whitewater and Watergate so far are superficial. Some major themes running through the two stories are likely never to converge. Few predict the affair will drive the president from office in disgrace, although two Republican senators yesterday suggested, if by implication, that possibility.

"Richard Nixon turned a third-rate burglary into a constitutional crisis by not leveling, by interfering with the investigation," Sen. Phil Gramm of Texas told interviewers on ABC-TV. "If the president wants to serve this term out, he is going to have to begin by leveling with the American people. The president is getting deeper in a hole."

Sen. Alfonse D'Amato of New York told the Associated Press that as a result of what he says is the administration's attempt to stonewall the investigation, the issue has "the potential of being as great if not greater than Watergate. The presidency is in danger as a result of the continued conduct and the continued pattern of deception."

Pundits across the political spectrum are beginning to write and speak of Whitewater in serious terms. William Safire writes in the New York Times, "As coverups go, Whitewatergate rates a B - less clumsy than Watergate but not as effective as Iraqgate."

Albert R. Hunt writes in a column in the Wall Street Journal: "If the current performance continues . . . it's less than a long-shot bet that one or two White House aides could end up in the slammer - not for what happened in Arkansas in the 1980s, but for the way matters are being mishandled in the 1990s."

And the New York Times declared in an editorial Friday that Mr. Clinton's

administration is "easily the most reckless in interfering with the integrity of federal investigative agencies since that of Richard Nixon."

More than two years elapsed between June 1972, when burglars entered the offices of the Democratic National Committee at the Watergate building on Virginia Avenue NW, hard by the Kennedy Center, and Aug. 8, 1974, when President Nixon resigned to avoid a certain impeachment by the House of Representatives and a trial by the Senate.

Questions were first raised about the Whitewater investment, and the involvement of Mr. Clinton and his wife, Hillary, early in the 1992 presidential campaign, but the controversy lay dormant until last fall, when several newspapers began looking into it again.

The story seized the capital's attention Dec. 20 when The Washington Times reported that White House Counsel Bernard Nussbaum and two Clinton political aides had entered the office of Deputy Counsel Vincent W. Foster Jr. shortly after his body was found at Fort Marcy Park, and had stripped his files of Whitewater documents.

In an interesting coincidence, Mr. Nussbaum, who resigned Saturday after questions related to the Whitewater-Madison probe continued to linger, served as staff counsel for the House Judiciary Committee when it looked into the impeachment of Mr. Nixon in 1974. He became friends at that time with Hillary Rodham, who worked on the committee staff, and who one day took her beau from Arkansas in to meet Mr. Nussbaum.

As different as the controversies are, there are fascinating parallels:

* White House counsel resigns.

Nixon White House Counsel John Dean resigned April 30, 1973, then became a major witness for the various investigative bodies. His testimony is considered the principal element in the fall of Mr. Nixon.

Mr. Nussbaum, despite his resignation, will likely remain a principal player in the unfolding drama. His files have been subpoenaed, and he has been called before a grand jury. A police file on the Foster death contains statements about what officers considered his interference in their investigation.

* White House subpoenas.

The Nixon White House began to unravel after subpoenas for the president's records and documents were issued in spring 1973. When it later was revealed he had taped conversations in the Oval Office, they fell under the subpoenas. A bitter battle ensued and greatly weakened Mr. Nixon's power to stay in office.

The Clinton White House has said it will respond to subpoenas issued Friday by Whitewater-Madison special counsel Robert B. Fiske Jr. But some signs of resistance - similar to Nixon administration resistance that put the term "stonewalling" into the political lexicon - have been noted. The records secretly taken from Mr. Foster's office were belatedly and reluctantly turned over to the Justice Department in December.

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* No-problem defense.

Nixon White House officials initially characterized Watergate as a "third-rate burglary" they knew nothing about.

The Clinton White House has characterized the Whitewater Development Corp. - a partnership of the Clintons with James B. McDougal, president of the now-defunct Madison Guaranty Savings and Loan Association, and his wife, Susan - as a cut-rate real estate venture in which the Clintons lost money. The White House says the first family lost $68,900; Mr. McDougal puts the figure at $13,500.

* The money trail.

An early lead in Watergate led reporters to Mexico to obtain the checks from the Campaign to Re-elect the President to the Watergate burglars.

An early development in the Whitewater investigation was the discovery that someone other than the person named wrote a $3,000 check to help Mr. Clinton pay off a personal loan used to retire a campaign debt.

Other records that have surfaced indicate a pattern of questionable loans - all of them defaulted on - to pay off Clinton campaign debts.

* Interference with law enforcement.

The Nixon White House attempted to control the early FBI investigation of the Watergate break-in through contacts in federal law enforcement.

The Clinton White House has been accused by police and FBI agents in a sealed file on the Foster death with attempting to control U.S. Park Police and FBI probes of that death. Former FBI Director William Sessions, who left office the day before Mr. Foster died, has said the Foster probe was "compromised from the beginning" by White House interference.

* Slow press reaction.

The lack of early public reaction to Watergate was shown by the landslide 1972 re-election of Mr. Nixon, who took 61 percent of the vote more than four months after the break-in. The early response by most reporters was equally tepid, leading to the legend of Bob Woodward and Carl Bernstein of The Washington Post bringing down the presidency.

Whitewater surfaced in the national media in March 1992, but Mr. Clinton won the election eight months later. After the matter was reopened last fall, few Washington insiders immediately factored it into their view of Mr. Clinton, and most Washington reporters looked the other way.

* Shredded and missing documents.

Before the gaps were discovered in the White House tapes, Nixon officials shredded and burned documents related to the Watergate break-in. Crucial financial documents were never found.

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The Rose Law Firm of Little Rock, Ark., of which Mrs. Clinton, Associate Attorney General Webster Hubbell and Mr. Foster were partners, shredded Whitewater documents in early February, The Washington Times reported Feb. 9.

The New York Times reported last week that a Rose employee has told a federal grand jury in Little Rock that the firm shredded files belonging to Mr. Foster. Officials at the Rose firm, which had dealings with Madison, insist that any shredding was unrelated to the Whitewater-Madison probe.

White House officials have reported other Whitewater documents missing.

* Full disclosure.

Mr. Nixon insisted for months that anyone listening to the White House tapes would come to the conclusion he was innocent of any wrongdoing, but he fiercely fought to keep the tapes "privileged White House information."

Mr. Clinton has insisted that a full investigation of Whitewater will clear him of any wrongdoing, but the phrase "privileged information" has been used once more. A police officer quoted Mr. Nussbaum as using the term repeatedly when police tried to check documents in Mr. Foster's office.

* White House contradictions.

Nixon spokesman Ron Ziegler constantly revised his denials of wrongdoing, undermining his credibility.

Clinton spokeswoman Dee Dee Myers has offered changing versions of events. In December, the White House said all documents in White House possession related to the Whitewater land deal had been turned over to the Justice Department, then Miss Myers the next day said some documents hadn't been handed over.

Last week, Miss Myers first said meetings between White House officials and federal regulators who were investigating Madison were not wrong, then said the meetings did appear improper.

* Special prosecutors.

Archibald Cox became the nemesis of the Nixon White House after he was appointed in May 1973 to handle the Watergate investigation as a special prosecutor.

Mr. Fiske, who aroused the suspicions of Republicans and other critics of the Clinton White House, has made a dramatic early impression as a tough, no-nonsense prosecutor by warning the Rose Law Firm to take care of all Whitewater documents in its posession and by subpoenaing White House officials and documents.

GRAPHIC: Graphics (color), A) Watergate: Richard Nixon was brought down 20 years ago in a scandal named for the D.C. hotel-office- condo complex.; B) Whitewater: An investment in Arkansas vacation land threatens to unravel the presidency of Bill Clinton. ; Photos, A) Sens. Phil Gramm (left) and Alfonse D'Amato discuss Whitewater.; B) Sens. Howard Baker (left) and Sam Ervin (center) at Watergate hearings., A) By Ruth Fremson/The Washington Times; B) NO

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CREDIT

LANGUAGE: ENGLISH
LOAD-DATE-MDC: March 7, 1994

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LEVEL 1 - 14 OF 14 ITEMS

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The Washington Times

March 7, 1994, Monday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1243 words

HEADLINE: Rose staffers say Hillary ordered papers shredded ;
Boxes hauled from mansion after Whitewater report

BYLINE: Jerry Seper; THE WASHINGTON TIMES

BODY

Couriers from the Rose Law Firm were summoned to the Arkansas governor's mansion in Little Rock during the 1992 presidential campaign by Hillary Rodham Clinton, who personally handed over records to be shredded at the firm's downtown office, three current or former Rose employees have told The Washington Times.

They gave this account:

The shredding began after the New York Times reported on March 8, 1992, the involvement of Gov. Bill Clinton and his wife in a tangled north Arkansas real estate venture known as Whitewater Development Corp.

Mrs. Clinton gave the couriers sealed, unmarked envelopes with instructions that they were to be shredded at the firm. Couriers made at least six other "mansion runs" during the campaign.

Other records from Mrs. Clinton's office at the firm, where she was a senior partner, also were shredded on the orders of other officials.

The shredding continued through the Nov. 3 general election, in which Mr. Clinton defeated President Bush.

"There were a number of runs to the mansion by several different couriers," said one former Rose employee, who asked not to be identified. "The instructions were always the same. The records were to be taken back to the firm and shredded."

The shredding, according to the current and former Rose employees interviewed by The Washington Times, was not limited to Mrs. Clinton. Records belonging to Rose firm partners Webster L. Hubbell, now associate attorney general, the third highest-ranking officer at the Justice Department; Vincent W. Foster Jr., former White House deputy counsel; and William H. Kennedy III, associate White House counsel, also were shredded.

"A lot of papers were run through the shredder, I can assure you of that,"

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said a current employee of the firm, who requested anonymity. "A conservative estimate would be that more than a dozen boxes of documents ultimately were destroyed."

The nature of the records included in the envelopes handed over by Mrs. Clinton is not clear, nor is the content of the documents in the boxes taken from her office at the Rose Law Firm. All were to be shredded. Neither is it clear which records from the Rose firm Mrs. Clinton would have kept at the governor's mansion, which is a mile and a half from the Rose offices on East Fourth Street in Little Rock.

The Clintons' Whitewater partners, James B. McDougal and his wife, Susan, now divorced, have said they personally delivered all of the Whitewater records to the governor's mansion in December 1987 at Mrs. Clinton's request.

During the presidential campaign, the Clintons said the records had disappeared.

Federal investigators declined last November to open a criminal prosecution regarding the manipulation of funds to Whitewater through Madison Guaranty Savings and Loan Association, owned by Mr. McDougal, because documents detailing the venture could not be found.

The Resolution Trust Corp., which oversees failed S&Ls, had recommended to the Justice Department in October that it consider a prosecution based on reports that funds from Madison had been diverted to Whitewater and eventually routed to Mr. Clinton's successful 1984 gubernatorial campaign. This would have been a violation of the law.

Federal law enforcement sources said records describing such a transaction could not be located.

A confidential report submitted by prosecutors in Little Rock to the Justice Department's criminal division in Washington said the case was being shelved because of "a lack of specific evidence," said one law enforcement official familiar with the referral.

Federal inquiries continue based on nine other RTC referrals, including questions surrounding Madison's dealings in other loans and its involvement with Mr. Clinton and his successor, Gov. Jim Guy Tucker.

Ronald M. Clark, managing partner at the Rose firm, did not return calls to his office last week for comment. Mr. Clark has denied that the firm improperly destroyed any documents.

He has declined to return several telephone calls seeking comment. In a statement sent to The Washington Times via facsimile, Mr. Clark said his firm had "actively made every effort to preserve all the files" connected to the Whitewater-Madison investigation conducted by special sounsel Robert B. Fiske Jr.

Mr. Clark disputed a dispatch in the New York Times, published last week, that records belonging to Mr. Foster also had been shredded.

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The Washington Times, March 7, 1994

The newspaper said a Rose firm employee, Jeremy Hedges, testified before a federal grand jury in Little Rock that he had been ordered to destroy a box of records from Mr. Foster's files in late January. Mr. Hedges, according to the Times, told the grand jury the records were marked VWF, Mr. Foster's initials, although he did not know which specific documents were included.

The New York Times, in interviews with lawyers and former Rose firm employees, also described a shredding system in place at the firm, identifying separate trash cans for lawyers and secretaries for documents that were to be shredded daily. The lawyers and employees said the system was put in place in 1991, shortly after Mr. Clinton announced his candidacy.

Mr. Foster, whose body was found July 20 in a Virginia park in what police authorities have said was a suicide, was the Clintons' personal lawyer and handled, among other things, their Whitewater dealings. He handled the November 1992 sale of the Clintons' half-share of Whitewater to Mr. McDougal for $1,000, and discovered in December 1992 Whitewater's failure to file corporate income tax records for a three-year period.

Mr. Foster also was responsible for the creation of a blind trust for the Clintons' assets to satisfy ethical concerns about their personal business deals. The task was not completed until six months after Mr. Clinton took office - and three days before Mr. Foster's death.

A longtime Clinton friend, Mr. Foster also was a business partner with Mrs. Clinton, along with Mr. Hubbell, in an investment group and a stock partnership. The two businesses, whose records were maintained at the Rose firm, were Value Partners and Midlife Investors Inc.

In addition to the January shredding incident described last week by the New York Times, another Rose firm employee told The Washington Times last month that documents showing the Clintons' involvement in the Whitewater project had also been ordered destroyed.

That shredding incident, according to the employee, occurred Feb. 3. A Rose firm employee who reportedly took part in the shredding declined to comment but refused to say that the incident did not happen.

Mr. Fiske, assigned Jan. 20 by Attorney General Janet Reno to look into allegations of financial irregularities involving Madison and the Whitewater venture, has said he will look into the shredding allegations.

He has ordered the Rose firm not to destroy any Whitewater-Madison documents or computer tapes. FBI agents also have interviewed several Rose firm employees, and others have been called before a grand jury to comment on the shredding allegations. The interviews are continuing.

Mr. Clinton has denied any wrongdoing, saying he and his wife did "nothing improper" with regard to Madison or Whitewater.

GRAPHIC: Photo (color), Hillary Rodham Clinton

LANGUAGE: ENGLISH

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The Washington Times, March 7, 1994

LOAD-DATE-MDC: March 7, 1994

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INTEROFFICE MEMORANDUM RESOLUTION TRUST CORPORATION DIVISION OF LEGAL SERVICES	RESOLUTION TRUST CORPORATION 801 17th STREET, N.W. WASHINGTON, D.C. 20434-0001

MEMORANDUM TO: Ellen B. Kulka
Mark Gabrellian
James Dudine
April Brelaw
James Igo
Carl Gamble
Trudy Walsh
Paula Stone
Lisa P. Taylor

FROM: Gloria M. Berry
Paralegal

DATE: March 9, 1994

SUBJECT: News Articles Concerning Madison Guaranty

Attached are thirty-five (35) news articles from Nexis, relating to Madison Guaranty, dated March 8, 1994.

LEVEL 1 - 1 OF 35 ITEMS

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

March 8, 1994, Tuesday, AM cycle

SECTION: Washington Dateline

LENGTH: 1207 words

HEADLINE: Clinton Turns to Veteran Lawyer; More Contacts Admitted

BYLINE: By TERENCE HUNT, AP White House Correspondent

DATELINE: WASHINGTON

BODY

President Clinton disclosed more White House contacts with federal regulators about the Whitewater investigation Tuesday but insisted anew, "I haven't done anything wrong." Under pressure, he said the White House would cooperate in congressional Whitewater hearings.

In a broad disclaimer of any White House misconduct, Clinton said, "I do not have any information that anyone has done anything wrong, that anyone has tried to use the authority of the White House in any way, shape or form, and I can tell you for darned sure, I haven't."

Clinton faced a fusillade of Whitewater questions as he appeared at a news conference to announce the appointment of respected Washington attorney Lloyd Cutler as senior counsel, replacing Bernard Nussbaum who resigned under fire.

Hoping to still ethics doubts about his administration, Clinton said that Cutler, 76, would bring "a firm, uncompromising and steady hand" to the White House. A veteran of the Washington legal establishment, Cutler was White House counsel under Jimmy Carter.

Cutler said he agreed to take the job for only 130 days. The limited assignment means he will not have to sever ties with his law firm.

Breaking the tension, at least for a moment, Cutler drew laughter from the president and reporters when he said, "I know how tough a job this is and I know how old I am, in part because I'm married fairly recently to a very young and peppy wife and I want to spend more time with her."

Amid mounting questions about the conduct of Clinton's staff, Cutler said, "In government, as in other aspects of life, trust is the coin of the realm, and Mr. President I pledge myself to do what I can to assure that trust is maintained."

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Revelations of three White House contacts with federal regulators about the Whitewater investigation had raised questions about whether Clinton's aides were trying to meddle or compromise the probe. Subsequently, six White House officials and four Treasury officials were subpoenaed to testify by special prosecutor Robert Fiske.

Fiske said Tuesday, "I am satisfied with the co-operation I have received from the White House, responding to the subpoenas. So far they've been very responsive."

Answering questions at length, Clinton acknowledged there were additional contacts beyond the original three but said they were "incidental and were follow-up conversations which had nothing to do with the substance of the RTC investigations" - the probe by a federal S&L bailout agency into a failed Arkansas thrift with ties to the Clintons.

An administration official said the contacts involved press inquiries and were made over the phone or in informal, hallway meetings. The official said they would be documented in material sent to Fiske.

The White House has resisted Republican calls for congressional hearings into Whitewater; Fiske also has argued against the hearings, saying they would pose a severe risk to the integrity of his investigation.

While noting Fiske's position, Cutler said that if the House Banking Committee goes ahead with hearings, "it would be my recommendation that everyone in the White House cooperate."

For his part, Clinton said, "My inclination would be to obviously participate."

However, Clinton went on to accuse Republicans of trying "to make political hay out of this ... that's their real concern."

Clinton seemingly ruled out invoking executive privilege to avoid releasing information to investigators. "It is hard for me to imagine a case in which I would invoke it," he said.

Banking Committee Republicans released a list of 40 Whitewater witnesses they want to call before a March 24 hearing.

The list includes Arkansas figures, current and former senior White House aides, officials of the savings and loan cleanup agency and federal prosecutors.

Among them: Nussbaum, James McDougal, former head of Madison Guaranty Savings and Loan; White House Chief of Staff Mack McLarty; Jean Hanson, general counsel of the Treasury Department and Roger Altman, deputy treasury secretary and interim head of the Resolution Trust Corp.

Clinton said he had left it up to his staff to collect documents from his files covered by the Whitewater subpoena. He said he did not keep a diary and that there were no recordings of Oval Office conversations.

Trying to answer a question left over from Monday's news conference, Clinton

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said it probably was Bruce Lindsey, one of his closest advisers, who informed him that the Justice Department was being asked to look into the failure of the Madison Guaranty Savings and Loan and that the Clintons were named as potential beneficiaries of illegal actions.

Clinton said he could not pinpoint the date; it did not become public knowledge until Oct. 31. Lindsey learned about the action from Nussbaum, who was briefed by a Treasury official, White House aides say. They also say they believe Lindsey passed to Clinton information he learned from reporters inquiring about the matter - not from Nussbaum.

Cutler is known as the sort of lawyer that business executives turn to when they have serious problems. His recruitment by Clinton was a measure of the problems facing White House officials as a result of their mishandling of questions growing out of the Clintons' investment in an Arkansas real estate deal.

Nussbaum resigned under pressure Saturday, criticized by many White House aides as lacking a solid political judgment and for making Clinton's problems worse.

Clinton and Cutler put the best face on Nussbaum's troubled stewardship of the counsel's office. "I don't think Bernard Nussbaum thought for a minute he was doing anything wrong," Clinton said.

Cutler added, "I think Bernie Nussbaum had a lot of bad luck."

Clinton was asked whether he was bitter about the Whitewater charges.

"You can't be a very good president if you're consumed with bitterness," he said. "I mean, if I wake up every day all agitated about this, then I can't deal with the problems of the people."

Clinton added: "I've still not been accused of anything wrong because I haven't done anything wrong and I'm not going to do anything wrong. I revere the responsibility that I have been given and I am not going to abuse it."

The subpoenaed officials were ordered to testify on Thursday after it was learned they had been briefed on the status of the Whitewater investigation by federal regulators, raising questions about whether the probe had been compromised.

Amid GOP calls for congressional hearings, the dean of the Tennessee congressional delegation, Republican Rep. James Quillen, said Clinton should quit.

"He should resign," Quillen said. "His staff has fumbled the Whitewater affair by asking for briefings of the status of the case. That's unheard of. It looks like President Clinton is trying to whitewash the Whitewater affair."

A new poll by ABC News found that 36 percent of Americans believe both the president and his wife acted illegally in their Whitewater dealings. Forty-nine percent said Whitewater was a serious matter.

Yet, the survey showed that Republicans in Congress - Clinton's chief

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accusers - also got low marks. Fifty-eight percent of respondents said the GOP was pressing the issue just to score points against Clinton.

LANGUAGE: ENGLISH
LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 2 OF 35 ITEMS

The Associated Press

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March 8, 1994, Tuesday, AM cycle

SECTION: Washington Dateline

LENGTH: 759 words

HEADLINE: Clinton Turns to Veteran Lawyer, Admits More Contacts

BYLINE: By TERENCE HUNT, AP White House Correspondent

DATELINE: WASHINGTON

BODY

The White House acknowledged additional contacts with federal regulators ~~about the Whitewater investigation Tuesday, even as President~~ Clinton tried to still ethics doubts by naming respected Washington attorney Lloyd Cutler as his chief counsel.

Clinton was expected to formally name Cutler at a late-afternoon news conference. Cutler agreed to serve only on a temporary basis, up to 130 days, so he wouldn't have to sever ties with his law firm.

Cutler, 76, a pillar of Washington's legal establishment, made clear he wasn't anxious to return to the same job he'd held in the Carter administration.

"I've done it before, as you know," Cutler told reporters outside his home. "You don't look forward to it, but you do it. You're asked to do it and you have to do it."

As Cutler's appointment was about to be announced, the White House acknowledged additional contacts with regulators about Whitewater, raising more questions about whether the administration had tried to meddle in the federal investigation.

Previously, the administration had confirmed contacts on three occasions.

"Based on what we know, there were some incidental contacts and other followup conversations," one senior administration official said, speaking on condition of anonymity. "Nothing dealt with the substance of the Resolution Trust Corp. investigations." Asked how many additional contacts there were, the official said: "A few."

The official said the additional contacts became known as a result of conversations and the examination of documents in the aftermath of subpoenas being served on administration officials by Whitewater special counsel Robert

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Fiske.

Clinton had said he wanted to fill the counsel's post with an individual of unquestioned integrity and experience who would help put his presidency back on track.

Cutler is known as the sort of lawyer that business executives turn to when they have serious problems. His recruitment by Clinton was a measure of the problems facing White House officials as a result of their mishandling of questions growing out of the Clintons' investment in an Arkansas real estate deal.

Six White House officials, including Cutler's predecessor, Bernard Nussbaum, and four Treasury officials are under subpoena in the Whitewater investigation.

Nussbaum resigned under pressure Saturday, criticized by many White aides as lacking a solid political judgment and for making Clinton's problems worse.

The subpoenaed officials were ordered to testify on Thursday after it was learned they had been briefed on the status of the Whitewater investigation by federal regulators, raising questions about whether the probe had been compromised.

Republicans pressed for congressional hearings into Whitewater, and the dean of the Tennessee congressional delegation, Republican Rep. James Quillen, said Clinton should quit.

"He should resign," Quillen said. "His staff has fumbled the Whitewater affair by asking for briefings of the status of the case. That's unheard of. It looks like President Clinton is trying to whitewash the Whitewater affair."

House Banking Committee Republicans released a list of 40 Whitewater witnesses they want to call before a March 24 hearing. They don't have power to force them to testify, however.

The list includes Arkansas figures, current and former senior White House aides, officials of the savings and loan cleanup agency and federal prosecutors.

Among them: James McDougal, former head of Madison Guaranty Savings and Loan; White House Chief of Staff Mack McLarty; former White House Counsel Nussbaum; Jean Hanson, general counsel of the Treasury Department and Roger Altman, deputy treasury secretary and interim head of the Resolution Trust Corp.

A new poll by ABC News found that 36 percent of Americans believe both the president and his wife acted illegally in their Whitewater dealings. Forty-nine percent said Whitewater was a serious matter.

Yet, the survey showed that Republicans in Congress - Clinton's chief accusers - also got low marks. Fifty-eight percent of respondents said the GOP was pressing the issue just to score points against Clinton.

With top officials preoccupied by Whitewater, Clinton's lieutenants worried that they were losing momentum on high-priority issues such as health care and welfare reform.

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Throughout the White House there was a graphic demonstration of the Whitewater problem: Piles of trash accumulated in offices as a result of orders for the more than 400 employes not to destroy their trash, phone logs or computer files.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 3 OF 35 ITEMS

The Associated Press

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March 8, 1994, Tuesday, AM cycle

SECTION: Washington Dateline

LENGTH: 369 words

HEADLINE: Republicans Name 40 Whitewater Witnesses They Want for Hearing

BYLINE: By LARRY MARGASAK, Associated Press Writer

DATELINE: WASHINGTON

BODY

In a who's who of Whitewater, Republicans gave Democrats the names of 40 witnesses they plan to call before a House Banking Committee hearing.

The list for the March 24 hearing, presented Tuesday, includes key Arkansas figures in the case, current and former senior White House aides, officials of the savings and loan cleanup agency and federal prosecutors.

Among them: James McDougal, former head of Madison Guaranty Savings and Loan; White House Chief of Staff Mack McLarty; former White House Counsel Bernard Nussbaum; Jean Hanson, general counsel of the Treasury Department; Roger Altman, deputy treasury secretary and interim head of the Resolution Trust Corp., and Hillary Rodham Clinton's chief of staff and press secretary.

Committee Republicans indicated they would seek to subpoena reluctant witnesses, but Democrats are virtually certain to defeat such an effort.

Lloyd Cutler, named Tuesday to replace Nussbaum, said, "If the House Banking Committee should decide to ask the list of people ... to testify, it would be my recommendation that everyone in the White House cooperate."

Meanwhile, Senate Republican Leader Bob Dole said the GOP may propose an amendment to unrelated legislation in an effort to put the Senate on record behind hearings on Whitewater.

Senate Majority Leader George Mitchell promptly called the Republican's remarks "a political stunt to embarrass the president."

The House Banking Committee hearings were previously scheduled as a way to oversee the work of the RTC, the savings and loan cleanup agency. Among the failed S&Ls in RTC jurisdiction was Madison Guaranty, an Arkansas institution linked to the Whitewater case.

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Minority Republicans are permitted under House rules to call their own witnesses, allowing the GOP to focus the hearing on Madison and Whitewater.

The GOP lawmakers defied a plea by Justice Department special counsel Robert B. Fiske Jr., who said congressional hearings "would pose a severe risk" to his Whitewater investigation.

Rep. Jim Leach, R-Iowa, ranking Republican on the Banking Committee, wrote Fiske, "In balancing competing interests, the public's right to know should not be overwhelmed by your prosecutorial strategies."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 4 OF 35 ITEMS

The Associated Press

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March 8, 1994, Tuesday, AM cycle

SECTION: Washington Dateline

LENGTH: 750 words

HEADLINE: With Whitewater Hearings

BYLINE: By The Associated Press

BODY

The Whitewater witness list proposed by Republicans on the Senate Banking Committee:

James McDougal, former owner of Madison Guaranty Savings and Loan, a partner of Bill and Hillary Rodham Clinton in the Whitewater real estate venture.

Susan McDougal, James' ex-wife, also a partner in Whitewater.

David Hale, a former municipal judge in Little Rock who was indicted on fraud charges. He alleges that Bill Clinton pressed him to make a Small Business Administration-backed loan to Susan McDougal. Clinton denied it.

Sheffield Nelson, a political opponent of Clinton who was an investor in a Madison real estate venture.

April Breslaw, a Resolution Trust Corp. attorney; dismissed conflict of interest concerns involving the Rose Law Firm, where Hillary Rodham Clinton and Associate Attorney General Webster Hubbell worked.

James Dudine, RTC investigations director involved in the decision to make a criminal referral on Madison to the Justice Department.

Lee Ausen, RTC criminal investigator, Kansas City office.

L. Richard Iorio, field investigative officer, RTC, Kansas City, helped send initial criminal referral to RTC headquarters in Washington.

Jean Lewis, RTC investigator, Kansas City.

Mike Caron, senior investigator, RTC, Kansas City.

Donald B. Mackay, trial attorney, Justice Department, handled Whitewater investigation before special counsel Robert B. Fiske Jr. was appointed.

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Paula Casey, U.S. attorney in Little Rock, a Clinton supporter who recused herself from the Whitewater case.
Leslie Patten, Denver accountant who helped put together an explanation of Whitewater for the Clintons during the 1992 presidential campaign.

James Lyons, Denver attorney who wrote the report for the Clintons in the 1992 campaign.

Stanley Tate, nominee to head the RTC, who withdrew from consideration amid conflict-of-interest allegations; alleged fraud, waste and abuse in the agency.

William Roelle, Federal Deposit Insurance Corp., former top official in the RTC.

Mack McLarty, White House chief of staff.

Bernard Nussbaum, who resigned as White House counsel because of his involvement in White House meetings with RTC and Treasury Department officials. Two of the meetings involved discussions of a request from the RTC to the Justice Department for a criminal investigation of Madison.

Harold Ickes, deputy chief of staff at the White House.

Margaret Williams, chief of staff to Mrs. Clinton, attended an October 1993 White House meeting on the criminal referral.

Mark Gearan, White House communications director, who attended the October meeting.

Bruce Lindsey, senior adviser to the president, who attended the October meeting.

Lisa Caputo, press secretary to Mrs. Clinton who had a telephone conversation with someone from RTC.

Jean Hanson, general counsel, Treasury Department, who briefed White House officials on the criminal referral.

Josh Steiner, chief of staff, Treasury Department, who attended the October White House meeting.

Jack DeVore, former Treasury Department press spokesman, who attended the October White House meeting

Beverly Bassett-Schaffer, Arkansas state banking regulator who approved a recapitalization plan for Madison Guaranty that never was placed into effect.

Dan Lasater, friend of the Clintons who was sued by the Federal Deposit Insurance Corp. in connection with an Illinois S&L failure. Mrs. Clinton worked on the case for the Rose Law Firm.

Greg Young, an executive and director of Madison.

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Don Denton, a Madison loan officer.

Lisa Aunspaugh, Little Rock, no information available.
Erskine Bowles, administrator, Small Business Administration.

Charles E. James, Little Rock accountant who kept the books on the Whitewater real estate venture.

Sue Strayhorn, a top official of Madison.

Ellen Kulka, general counsel, Resolution Trust Corp.

Jeremy Hedges, courier at the Rose firm; reportedly told a grand jury he shredded documents that had the initials of Vince Foster, the late deputy White House counsel and Rose firm lawyer; says he saw no Whitewater documents.

Clayton Lindsey, courier at the Rose Law Firm.

Ricki Stacy, Rose Law Firm.

Roger Altman, deputy treasury secretary and interim head of the RTC; admitted arranging a "heads up" meeting this year for White House officials, to discuss expiration of the deadline for filing civil actions by the agency.

Jonathan Fiechter, acting director of the Office of Thrift supervision; agency formally closed Madison and turned cleanup efforts over to RTC.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 5 OF 35 ITEMS

The Associated Press

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March 8, 1994, Tuesday, PM cycle

SECTION: Washington Dateline

LENGTH: 885 words

HEADLINE: Clinton Sternly Defends Wife Against Whitewater Allegations

BYLINE: By RON FOURNIER, Associated Press Writer

DATELINE: WASHINGTON

BODY

Unbowed by President Clinton's pledge against any Watergate-like shenanigans, Republicans pressed harder today for congressional hearings into the Whitewater affair.

A day after Clinton pledged, "There will not be a coverup," Republicans on the House Banking Committee released a list today of 40 Whitewater witnesses they want to call before a panel hearing scheduled for March 24. They don't have power to force them to testify.

"Congress has an independent obligation to investigate and to inform both itself and the country," House Republican Whip Newt Gingrich, R-Ga., said this morning on NBC.

One Republican went to the extreme today of calling for the president's resignation. "He should resign," said Rep. James Quillen, R-Tenn. But Quillen stood alone; no other Republicans have characterized the affair so severely.

Clinton predicted confidently Monday that federal prosecutors will find no wrongdoing in his Whitewater dealings, or with three briefings federal regulators gave his staff regarding the confidential inquiry.

"If I did something wrong, it will come out" in special counsel Robert Fiske's investigation, Clinton said. "They will find the truth. Let them do it. And let the rest of us go on with our business."

He moved quickly to replace Bernard Nussbaum, the chief White House lawyer who resigned Saturday, a victim of the controversy. Clinton today named former Carter White House counsel Lloyd Cutler as his special counsel, serving up to 130 days while Clinton seeks a permanent successor.

Clinton sternly defended his wife against unconfirmed reports that she had ordered the shredding of documents at an Arkansas law firm.

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"The American people can worry about something else," Clinton said. "Her moral compass is as strong as anybody's in this country."

A poll released today found more than a third of Americans - 36 percent - believe both the Clintons acted illegally in their Whitewater dealings. Forty-nine percent said Whitewater was a "serious matter."

But the Republicans in Congress got low marks, too - 58 percent of those polled said the Republicans were pressing the issue just to score points against Clinton. The telephone survey of 525 adults, conducted Monday for ABC News, has a margin of error of plus or minus 5 percent.

The GOP wish-list for Whitewater testimony amounted to a who's who of the Whitewater affair: Arkansas figures, current and former senior White House aides, officials of the savings and loan cleanup agency and federal prosecutors.

Among them: James McDougal, former head of Madison Guaranty Savings and Loan; White House Chief of Staff Mack McLarty; former White House Counsel Bernard Nussbaum; Jean Hanson, general counsel of the Treasury Department and Roger Altman, deputy treasury secretary and interim head of the Resolution Trust Corp.

The names were in a letter Republicans sent to Banking Committee Chairman Henry B. Gonzalez. The GOP lawmakers, who have a right under House rules to call their own witnesses, wrote they are "doubtful that certain of the witnesses ... will voluntarily appear."

The Republicans indicated they would seek a committee vote to approve subpoenas, a request Democrats are almost certain to resist.

Gingrich disagreed with Fiske's contention that congressional hearings would "pose a severe risk" to his investigation. Gingrich noted that it took six years for an independent counsel to investigate the Iran-Contra scandal.

Sen. John Breaux, D-La., also appearing on NBC, maintained that congressional hearings "clearly are not necessary" in a partisan setting such as Congress. "We don't need political hearings, we need legal hearings," he said.

The White House was threatened with paralysis, as glum aides scoured trash bins, burn bags and files for documents sought under a grand jury subpoena.

Ten administration officials, including six at the White House, were given individual subpoenas ordering them to appear in federal court Thursday regarding the briefings. Most, if not all, have hired private attorneys.

White House Press Secretary Dee Dee Myers said the staff was determined to get about its business despite the distractions. Clinton, who arrived in the Oval Office unusually early this morning, went ahead with a planned health care speech this morning.

"We're determined not to let this interfere with our other business," Myers said today. However, White House officials under subpoena, including Communications Director Mark Gearan, were under orders not to discuss the three briefings and they kept a low profile.

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Clinton said Monday he had been unaware of two of those meetings. He did not directly address the third meeting, but said he did find out somehow that federal regulators were confidentially investigating a failed Arkansas thrift and its ties to him.

Hillary Rodham Clinton also did not know about the meetings or the investigation until she read about them in news accounts, deputy press secretary Neel Lattimore said.

The special counsel's investigation into Madison Guaranty Savings and Loan involves the tangled Whitewater land venture, co-owned by the Clintons and Madison owner McDougal and his wife at the time. Fiske wants to know whether the White House was meddling in the inquiry by meeting with Treasury officials three times.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 6 OF 35 ITEMS

The Associated Press

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March 8, 1994, Tuesday, PM cycle

SECTION: Washington Dateline

LENGTH: 713 words

HEADLINE: God Bless Bill and Hillary ... For Raising Circulation

BYLINE: By JILL LAWRENCE, AP Political Writer

DATELINE: WASHINGTON

BODY

"Dear God, please bless and keep Bill and Hillary Clinton - far away from any federally insured savings and loan."

That was the third invocation Monday night at The American Spectator's annual dinner, a smorgasbord of red meat, free cigarettes and Whitewater needling from the conservative magazine that brought the nation "Troopergate" and this month's "Whitewater Sociopaths."

The evening began a few hours after Clinton's podium-pounding defense of his wife's "moral compass"; it ended bare minutes before word leaked that Lloyd Cutler would be the new White House counsel.

No wonder then that the talk of the Spectator crowd was Whitewater - the infamous Arkansas vacation development the Clintons no doubt wish they'd never invested in. The one with ties to Madison Guaranty, a failed savings and loan.

As the guests walked in, one suggested to another that they stage "a seminar on how to cope with the trauma of a special prosecutor." His friend replied: "They are getting their turn in the box - a box of their own construction."

That theme ran through much of the cocktail and dinner chatter: The relentless investigative apparatus is finally chewing up a Democrat.

"The Democrats built this machine under the assumption that only Republicans would get caught in it. Now they'll find out it's not so," said former assistant secretary of state Elliot Abrams, who got trapped in the gears during the Iran-Contra affair.

"Nobody would be happy to see another administration go down the tubes, but if anybody deserves it, these people do," the scrappy Abrams added.

Let's face it, though, Bill and Hillary Clinton have been good for The

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American Spectator, an enfant terrible of the magazine world. Circulation has more than doubled over the past year from 114,000 to 258,000.

And the magazine's national profile has never been higher, due in large part to the contributions of David Brock - the investigative writer whose stories send adrenalin shooting through the veins of the faithful.

His book attacking Anita Hill drove feminists and liberals crazy. His article alleging Arkansas state troopers arranged sexual liaisons for Clinton when he was governor had an equally dramatic effect, rippling through the mainstream media and wrecking Christmas for the administration.

The February issue features a long piece, "Beyond Whitewater," that tracks damaging real estate and S&L records. Another piece is described as "a partial list" of "Criminal Laws Implicated by the Clinton Scandals."

"It raises questions and it raises hackles, and I like to see the reaction to both," said dinner guest Janie Shattan, a research librarian at the Education Department.

Conservative grunts and stars alike turned out for the annual food-and-dagger event, including Abrams, failed Supreme Court nominee Robert Bork, former U.N. Ambassador Jeane Kirkpatrick, humor writer P.J. O'Rourke and former Republican Party chairman Frank Fahrenkopf.

Sen. Richard Lugar, R-Ind., the senior Republican on the Senate Foreign Relations Committee, gave a serious talk accusing Clinton of "ignoring the plain truth" that the United States and Russia are not partners but rivals.

His speech was the only heavy fare in an evening more inclined toward Cole Porter, hors d'oeuvres, tasteless jokes and the occasional Whitewater smirk.

It was the kind of gathering where one could hear phrases like "drip torture" and "amateur hour"; where one could catch this punch line - "Tonya Rodham Harding" - and watch a small group of people collapse into laughter.

It was a setting, thanks to Spectator contributor Philip Morris, that said "it's OK to smoke." Small glass jars of cigarettes awaited guests at reception tables and flanked floral centerpieces at their dinner tables. Billows of smoke filled the air.

Bork, a man who knows all too well what bad publicity can do to a person's career, hovered around one table having a cigarette. "I can't believe they didn't learn anything from that other maelstrom," he said of the Clintons. He said he meant Watergate - where Bork, as President Nixon's solicitor general, fired Watergate prosecutor Archibald Cox in what became known as the "Saturday Night Massacre."

Do the Clintons deserve what they're getting? "Oh, more," Bork said.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 7 OF 35 ITEMS

The Associated Press

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March 8, 1994, Tuesday, BC cycle

SECTION: Washington Dateline

LENGTH: 800 words

BYLINE: By The Associated Press

BODY

Events in the controversy involving President Clinton's role in an Arkansas real estate venture:

1978 - Bill and Hillary Rodham Clinton, along with James McDougal who later became a savings and loan operator, purchase 200 acres in the Ozarks for a resort development.

1979 - Whitewater Development Corp. is formed, with the Clintons as half owners with McDougal and his wife Susan.

1986 - McDougal is ousted as president of Madison Guaranty Savings and Loan, though he remains as owner. Examiner's report by Federal Home Loan Bank Board faults the S&L for risky investments in real estate deals, low cash reserves and shoddy record-keeping.

March 1989 - Madison fails, at a cost of between $ 47 million and $ 60 million to taxpayers.

March 1992 - In response to repeated questions about the Whitewater investment, Clinton's presidential campaign issues a report by Denver lawyer James Lyons saying Bill and Hillary Clinton invested about $ 70,000 and did nothing improper in Whitewater dealing with McDougal. The report, based on an examination by a Denver accounting firm, makes clear that incomplete or missing records make a complete study impossible.

December 1992 - The Clintons sell their share in Whitewater to McDougal. They eventually record a $ 1,000 capital gain on their tax form.

July 20, 1993 - Vincent Foster, deputy White House counsel and a former partner of Mrs. Clinton at the Rose Law Firm, is found dead, an apparent suicide. Documents related to Whitewater are among those taken from his office by administration officials and turned over to David Kendall, Clinton's personal attorney.

Oct. 31, 1993 - Federal regulators have recommended to Justice Department that a criminal investigation be conducted into Madison's failure, The

Washington Post reports.

Nov. 9, 1993 - Republican lawmakers begin calling on Attorney General Janet Reno to nominate a special counsel to investigate any ties between McDougal's failed S&L and Whitewater.

Dec. 23, 1993 - Clinton says he and his wife will turn over all records relating to Whitewater but say it might take several weeks.

Jan. 5, 1994 - White House reveals subpoena has been issued for Whitewater records under terms negotiated on Dec. 23 between prosecutors and Kendall.

Jan. 12, 1994 - Bowing to intensifying political pressure, Clinton asks that a special prosecutor be appointed.

Jan. 14 - Clinton, in Moscow for a summit with Russian President Boris Yeltsin, grouses that "the media's been obsessed with this. ... It never crosses by mind."

Jan. 20 - Robert B. Fiske Jr., a Manhattan lawyer, is selected by Reno to be special counsel in the Whitewater case. Fiske pledges a "flat out" investigation and says the Clintons should be questioned under oath.

Jan. 26 - House Speaker Thomas S. Foley says there is no need for congressional hearings since "there is no evidence of any credible nature pointing to misconduct by the president or the first lady."

Feb. 3 - Federal Deposit Insurance Corp. spokesman David Barr confirms Mrs. Clinton represented federal regulators in a savings and loan case against a family friend and political supporter.

Feb. 4 - Documents released by Rep. Jim Leach, R-Iowa, show that a company tied to Madison Guaranty covered a $ 7,322.42 payment on a 1985 loan to then-Gov. Clinton.

Feb. 16 - At the request of Fiske, a federal judge in Little Rock agrees to empanel a special grand jury to look into Clinton's real estate investment.

Feb. 25 - Deputy Treasury Secretary Roger C. Altman says he has removed himself from the Arkansas S&L investigation and will step down March 30 as head of the savings and loan cleanup agency. Altman has acknowledged giving the White House a private briefing on the status of the S&L agency's investigation.

March 2 - Associate Attorney General Webster Hubbell, friend of the Clintons and now the No. 3 official at the Justice Department, acknowledges he has been questioned by his former law firm, the Rose Law Firm, about his billings in past cases. Hubbell denies overcharging the Resolution Trust Corp. or any other clients.

March 3 - Clinton orders White House aides to "bend over backward" to avoid meddling in a federal investigation of him.

March 4 - The FBI serves subpoenas on six of Clinton's senior White House aides seeking testimony and documents related to the probe of Whitewater and the failed S&L.

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March 5 - White House Counsel Bernard Nussbaum, who had been involved in briefings with regulators concerning the investigations, resigns.

March 7 - Clinton makes an impassioned defense of Mrs. Clinton's actions and denies the Whitewater affair is anything like the Watergate scandal that brought down Richard Nixon. "There will not be a coverup, there will not be an abuse of power in this office," he declares.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 8 OF 35 ITEMS

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SHOW: NEWS 6:42 am ET

March 8, 1994

Transcript # 493-3

TYPE: Interview

SECTION: Business

LENGTH: 1002 words

HEADLINE: Analyst Says GOP Threatens Damage to FDIC, RTC

GUESTS: STAN STRACHAN, Editor, "National Mortgage News" (LIVE)

BYLINE: DEBORAH MARCHINI

HIGHLIGHT
One mortgage industry expert predicts Robert Altman's career in government is over after his Whitewater briefings. Stan Strachan says Republican leaders are threatening to hold up RTC and FDIC nominations.

BODY
STUART VARNEY, Anchor: The Whitewater affair could even affect the banking system, specifically, the confirmation of a new chairman for the Federal Deposit Insurance Corporation, and finding a new chief for the Resolution Trust Corporation. With us now to talk about the effects of Whitewater on those appointments, and what they could be, Stan Strachan, Editor of National Mortgage News. Good morning to you, Stan.

STAN STRACHAN, Editor, 'National Mortgage News': Good morning, Stuart.

VARNEY: Are the Republicans in a position to make a significant probe in Congress which would then hold up all of these nominations until they're satisfied with what's happening with Whitewater?

Mr. STRACHAN: The only nomination pending that will really be affected is that of Ricky Tiggert [sp?], who would take over as chairperson of the FDIC, the Federal Deposit Insurance Corporation. And Senators D'Amato and Dole have said that they won't allow that nomination to move until there are hearings on Whitewater.

VARNEY: If there's nobody running the RTC, -

Mr. STRACHAN: Or the FDIC.

VARNEY: - or the FDIC, which are obviously combined, I mean, can it function

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efficiently?

Mr. STRACHAN: Yeah, they're bureaucracies, they can function. But they function without leadership, they function without policy, and you have real problems. Right now, the RTC is supposed to be wound down and merged into the FDIC. How that can happen when there's nobody in charge at either agency, I don't know.

DEBORAH MARCHINI, Anchor: If my recollection is correct, there actually is somebody running the RTC on a provisional basis. That's Roger Altman.

Mr. STRACHAN: Roger Altman, and it's clear that his career has been significantly if not mortally wounded.

VARNEY: Wait a minute. You are speculating about the future of Mr. Altman?

Mr. STRACHAN: Mr. Altman's career in government is definitely limited.

MARCHINI: Why is that?

Mr. STRACHAN: Because the man called the White House and said I'll come over and brief you about investigations that we are conducting into Madison Guaranty. And if you are involved in legal investigations, civil, criminal or otherwise, you don't go over and talk to the other side and say 'Well, here's the documents you may consider shredding, burning or otherwise disposing of.' And you know, I don't know what was said at those briefings, and I am going to assume that everybody was innocent. But the look of it is just awful.

MARCHINI: We have a new revelation that came from the president's news conference yesterday.

Mr. STRACHAN: That he himself has been briefed.

MARCHINI: He himself had been briefed, he knew that there was a criminal investigation recommended for Madison Savings and Loan, which belonged to his business partner. What is the significance of that?

Mr. STRACHAN: That there was too much communication between the investigators and the investigated. The people who were being probed knew too much about what was going on in the probe, and apparently, from everything I've seen, the White House did not call Mr. Altman and say 'Could you come over and let us know what was going on,' Mr. Altman called and volunteered. Now, this is a Wall Street professional with a long and very strong professional history. Very capable guy. I just don't know what's in the water down there that gets into these people when they go to Washington.

VARNEY: You're saying that the nominating process for the FDIC and the RTC is stalled, you're speculating about the political future, the governmental future -

Mr. STRACHAN: - of the second guy at Treasury -

VARNEY: - of the second man in the Treasury, I mean, clearly, you're almost saying that Whitewater is very similar in the way it's developing, to Watergate. And yet the average person in this country does not equate the two as yet, if

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I'm not mistaken.

Mr. STRACHAN: That's right. I think if you talk to the average person in this country, they don't see the seriousness anywhere near the Watergate level. But I don't think anybody's going to go to jail for what happened in Whitewater, and nobody's career is going to be ruined for what happened in Whitewater. I think the effort to cover it up, just as in Watergate, will be far more serious than the original event.

MARCHINI: The Republicans have launched an all-out offensive to liken this situation exactly to Watergate. You're saying they're right.

Mr. STRACHAN: I'm saying that there are enough similarities that sooner or later, they either have to be totally dealt with and put aside, or we're going to have what we had in the early '70s, an administration that cannot govern.

VARNEY: Is it getting close to that?

Mr. STRACHAN: It's starting. It's not getting to the point, I mean, the country was absolutely paralyzed at the top in the early '70s, that hasn't happened yet.

VARNEY: For the next few months, a good many people in the White House are going to be consulting their own personal lawyers to see what legal ground they are on. Will they be able to deal with health care reform, reform of the welfare system, a new jobs program from the president? Surely, there's an element of restriction here.

Mr. STRACHAN: Now that every member of the Congress is worried more about Whitewater than they are about policy matters, and that's what happened during Watergate, and that's certainly what's happened with the Republicans. The Republicans see a major opportunity in an election year to gain ground, and they're not going to let up.

MARCHINI: Stan Strachan, National Mortgage News, thanks for being here.

Mr. STRACHAN: Thank you.

The preceding text has been professionally transcribed. However, although the text has been checked against an audio track, in order to meet rigid distribution and transmission deadlines, it may not have been proofread against tape.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 9 OF 35 ITEMS

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March 8, 1994, Tuesday, 2 STAR Edition

SECTION: A; Pg. 1

LENGTH: 1170 words

HEADLINE: Clinton defends self, wife in Whitewater controversy

BYLINE: GREG McDONALD, HOUSTON CHRONICLE WASHINGTON BUREAU; Staff

DATELINE: WASHINGTON

BODY

WASHINGTON -- President Clinton disclosed Monday that he ""became aware'' last fall of a confidential federal inquiry into his ties to a failed Arkansas thrift after one of his top aides was told the case was being referred to the Justice Department for possible criminal investigation.

But the president insisted that there was nothing improper about the information being passed on to him. He also offered a stirring, teary-eyed defense of first lady Hillary Rodham Clinton, who has become a lightning rod for criticism in the investigation now being conducted by special Justice Department counsel Robert B. Fiske Jr

""Sometime in October I became aware of the (Resolution Trust Corporation) finding with regard to the question . . . of whether my campaign benefited improperly from checks which allegedly came from the S&L,'' Clinton said at a news conference. He was referring to the ongoing probe of whether funds were diverted illegally from Madison Guaranty Savings and Loan into his 1984 gubernatorial campaign or into his failed land development company known as Whitewater.

""I don't remember when I knew about it or who told me about it,'' Clinton added. ""But it was just sort of presented as a fact, a decision that had been made by the government. And I didn't think much about it at the time. It was just something that I absorbed. ''

Clinton, reacting to Republican calls for congressional hearings on Whitewater and comparisons of the affair to Richard Nixon's infamous Watergate scandal, declared that there has been ""no credible evidence'' offered by anyone suggesting that he and his wife had ""violated any law. ''

""There will not be a coverup, there will not be an abuse of power in this office,'' the president said, pounding the lectern repeatedly.

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The Houston Chronicle, March 8, 1994

And in a moving, emotional defense of his wife, Clinton dismissed a report Monday in the Washington Times that she had ordered the shredding of documents at her former law firm shortly after the Whitewater issue was raised in newspaper reports during the 1992 presidential campaign. Hillary Clinton managed the family's Whitewater investments and also represented the Madison thrift in legal matters.

""I have never known a person with a stronger sense of right and wrong in my life, ever . . . And I do not believe for a moment that she has done anything wrong,'' the president said as his eyes welled with tears.

Then thumping the lectern, Clinton said: ""If everybody in this country had a character as strong as hers, we wouldn't have half the problems we have today . . . The American people can worry about something else. Her moral compass is as strong as anybody's in this country, and they will see that. ''
Clinton's disclosure came as the White House frantically tried to meet a Thursday deadline for complying with a federal subpoena ordering that any White House materials and records related to the Madison-Whitewater affair, including those of the president and first lady, be preserved.

In a memo to the White House staff, deputy counsel Joel Klein also ordered that any paperwork that would normally be thrown out, burned or shredded be kept for examination. He also ordered the staff to scour their computer files, searching for any information that might be of interest to investigators.

The subpoena from Fiske was delivered to the White House on Friday evening following reports that the president's counsel, Bernard Nussbaum, and other top aides met on at least three occasions with Treasury Department officials to discuss the federal probe of the Madison-Whitewater affair. Fiske is trying to determine whether there may have been other White House meetings or contacts with federal authorities involved or familiar with the investigation.

Nussbaum was forced to resign, effective April 5, because of the meetings. He has been subpoenaed to appear before federal authorities on Thursday along with five other senior White House officials to provide testimony about the meetings they attended.

Three Treasury officials and one former Treasury official have also been subpoenaed by Fiske, who is concerned that Clinton's aides may have acted improperly in an attempt to interfere in the investigation or head off what has become a hugely embarrassing and troublesome problem for the president and his wife.

White House officials said they also expect the president's chief of staff, Thomas F. ""Mack'' McLarty, to be subpoenaed, following his disclosure Sunday that he had arranged, but did not

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attend, a questionable meeting in which three administration officials, including an aide to Hillary Clinton, were briefed by Roger Altman on the RTC's continuing civil probe of Madison. Altman is acting head of the RTC.

Clinton has acknowledged that the meetings may have been improper. But he was vague Monday on whether he was tipped off to the investigation after the confidential RTC inquiry obtained by Nussbaum on Sept. 29 in his first meeting on the matter with a Treasury official. Clinton said only that he learned that the inquiry was being referred to the Justice Department sometime in October. The RTC recommended on Oct. 8 that federal prosecutors take a look at the possibility of criminal misconduct in the Madison-Whitewater case. But it wasn't until Oct. 31 that the information became public in newspaper reports.

A senior administration official insisted Monday that Clinton was not told by Nussbaum, but may have learned about it through aides who briefed him in response to media inquiries about the matter.

The subpoenas, which for the first time put the Whitewater controversy directly inside the White House, have prompted renewed calls on Capitol Hill for a congressional inquiry into the Clintons' connections to Madison owner James McDougal, who was also their co-partner in the money-losing Whitewater land development venture.

Senate Minority Leader Bob Dole, R-Kan., said the subpoenas and the ""behind the scenes meetings'' on Whitewater had ""created the impression . . . that there's something unseemly lurking in the Whitewater bog. If there's been no wrongdoing, there should be nothing to hide. ''

But in a letter to the Republican leadership, Fiske called on the lawmakers to hold off on their demands for a congressional inquiry, warning that it could ""pose a severe risk to the integrity of our investigation. ''

In responding to Republican criticism, Clinton angrily dismissed the comparisons to Watergate, saying he is determined to cooperate fully with the investigation.

""Number one, we are not covering up or anything. We are opening up, we are disclosing . . . Number two, no one has accused me of any abuse of authority in office. That's what Watergate was all about,'' Clinton said.

""This is really about an investment I made almost 16 years ago now that lost money and sputtered to a not successful conclusion,'' he added.

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GRAPHIC: Photo: Bill Clinton (color)
LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 9, 1994

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LEVEL 1 - 10 OF 35 ITEMS

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The Houston Chronicle

March 8, 1994, Tuesday, 2 STAR Edition

SECTION: A; Opinion; Pg. 20

LENGTH: 764 words

HEADLINE: Nussbaum victim of "ethics' stampede

BYLINE: EDWIN M. YODER

BODY

ACCORDING to news stories about his sudden ouster, White House counsel Bernard Nussbaum strenuously opposed the appointment of a special prosecutor to investigate the ""Whitewater'' episode.

He was right but he probably didn't suspect, poor fellow, that his would be among the first scalps collected in this overblown media melodrama.

What was his problem? Meeting! That's what it was. In recent congressional testimony, the deputy secretary of the Treasury, Roger Altman, disclosed that he and other departmental officials met three times with Nussbaum and other White House staffers.

At these meetings, the first of which occurred in October, they brainstormed the possibility that a government probe of the failed Madison Guaranty Savings and Loan in Arkansas might link President Clinton and Hillary Rodham Clinton to the thrift as unwitting beneficiaries of its dubious financial operations, which cost the taxpayers $ 50 million to $ 60 million.

Since Altman is acting head of the Resolution Trust Corp., the government agency charged with the liquidation of failed thrifts, the great pooh-bahs of the press, and other keepers of the national conscience, hit the ceiling. They were shocked. As they huffed and puffed, the special prosecutor, Robert Fiske, issued no fewer than 10 subpoenas to the said meeters. They must explain themselves to his grand jury.

But I wish someone would begin by explaining to me why it is so very wicked for White House staff to want information from elsewhere within the executive branch about charges and rumors concerning the president -- or why it is deemed even wickeder for Treasury officials, political appointees all, to supply it.

Since stories that cast a shadow on the personal integrity of the president, whether true or false, can impair his ability to govern, you might expect his appointees to take a keen interest.

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Indeed, not so long ago it would have been expected that political appointees would interest themselves in the president's political well-being.

In the two decades since Watergate, however, Washington has undertaken to take politics out of government. It has become so webbed with finespun rules and regulations and ""ethics'' fetishes that government itself often takes a back seat to the process of staying squeaky clean. One day soon, we shall probably dispense with government altogether, inasmuch as official acts, which regularly often involve compromise, regularly interfere for that reason with the cleansing process.

Poor Bernie Nussbaum. He is probably a good lawyer and an ethical man; but most of his experience was in the legal aspects of New York high finance, and politically he appears to be all thumbs.

He should have known that we do not permit meeters to meet these days.

And what is at the bottom of all this? On the day the latest Whitewater flap broke, a visiting friend from out of town and I were walking across the Ellipse south of the White House. This visitor, a well-informed professional historian at a distinguished Southern university, glanced at the White House and confessed that he is baffled. President Clinton, he said, seemed to be doing well, but the capital's continuing absorption in the Whitewater business was very puzzling. Was he missing something?

I dutifully undertook a quick education in the ways of Washington. The more esoteric such a story appeared, I explained, the more likely it was to be largely a concoction of reportorial fancy.

""Do you recall,'' I asked, ""that when it first began to be understood that Earth and other planets revolve around the sun, it was believed that their orbits were circular? But since that theory conflicted with observation, it became necessary to add epicycles -- circles orbiting circles -- to adjust the theory to observation.

Naturally, the trouble lay all along in the failure to understand that planetary orbits are elliptical; but understanding that had to wait for Kepler and Newton. ''

Take that small historical parable, I suggested, as a model of the way Washington, and the major media, deal, in these days of ethical cleansing, with suspicions of wrongdoing.

The suspicions may be groundless, frivolous, out of date and nebulous in the extreme, as in Whitewater. But once launched, the suspicions will be endlessly refined and recycled to fit whatever information comes along, even when it disconfirms them.

The analogy seemed to satisfy my friend and we turned to

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other topics. Would that Washington could also.

LANGUAGE: ENGLISH

TYPE: Editorial Opinion

NOTES: Yoder, a Pulitzer Prize winner for editorial writing, is a syndicated columnist based in Washington, D.C.

LOAD-DATE-MDC: March 9, 1994

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LEVEL 1 - 11 OF 35 ITEMS

Copyright 1994 The Times Mirror Company
Los Angeles Times

March 8, 1994, Tuesday, Home Edition

SECTION: Metro; Part B; Page 7; Column 5; Metro Desk

LENGTH: 672 words

HEADLINE: COLUMN RIGHT/ CAL THOMAS: PRO-CLINTON MEDIA MUST PLAY CATCH-UP; WHITEWATER THREATENS TO ENGULF THE ADMINISTRATION.AND THERE IS THIS HISTORICAL DIFFERENCE -- WATERGATE DIDN'T HAVE A BODY.

BYLINE: By CAL THOMAS, Cal Thomas is a syndicated columnist in Washington.

BODY

Analogies between Watergate and the Whitewater affair are being heard. Any day now, we can expect President Clinton to echo Richard Nixon and say that he's not going to wallow in Whitewater and will instead devote his full attention to what he was elected to do.

~~Trouble is, that won't work for him any more than it did for Nixon.~~ The Whitewater story is now big news, and we are going to be wallowing in it for some time to come. Clinton will become increasingly preoccupied with trying to keep his Administration afloat.

Last week was a bad one for the President. Six White House officials and three Treasury Department officials were subpoenaed Friday to tell under oath what they know about events related to the Whitewater affair. As the subpoenas rolled in the White House door, heads started rolling out the White House gate. White House counsel Bernard Nussbaum got the ax. Even the French chef and an usher were fired (though apparently not for anything to do with Whitewater).

Defenders of the President are trying their best. My favorite line was from Margaret Carlson, Time magazine's White House correspondent, who said on CNN, "Democrats haven't known how to behave in the executive branch because they haven't been there in so many years." Apparently Carlson thinks that ethics, like French cuisine, are an acquired taste.

The Wall Street Journal's Al Hunt wrote that a possible cover-up, more than any Arkansas shenanigans, might hurt the Clintons, "but there won't be any findings of criminality involving the First Family." Hunt wrote this the day before the subpoenas were issued.

It is a legal and historical mistake to claim that Clinton is beyond the arm of the law for any crimes he may have committed while governor. Vice President Spiro Agnew was forced from office in 1973 when he pleaded "no contest" to charges of income-tax evasion arising from kickbacks he was accused of taking from state contractors while he was governor of Maryland.

As for Mrs. Clinton, an even bigger cover-up may have been conducted by her and on her behalf. She is knee-deep in the Whitewater affair, with her close

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personal, professional and legal ties to Madison Guaranty Savings & Loan and the late Vincent Foster. Here the comparison with Watergate diverges -- Watergate never had a body. There have been allegations of massive paper-shredding of pertinent documents at Mrs. Clinton's old law firm in Little Rock, including papers belonging to Foster. But spokespersons for the Rose law firm have denied this.

Most of the press, which boosted the Clinton-Gore ticket during the 1992 campaign, was embarrassingly slow in getting hold of the Whitewater-Madison story. The Washington Post, which holds itself in unreasonably high esteem because of its Watergate coverage, is now busy explaining why it missed the Whitewater story and is playing catch-up.

The Post ombudsman wrote that journalistic ethics (an oxymoron?) demanded that the newspaper not take at face value evidence dug up by its rival the Washington Times but get the story on its own. That might have been fine if the Post had done the job -- but it didn't. The Washington Times kept this story alive with groundbreaking reporting.

The blood is in the water now, and the media sharks who helped put Bill Clinton in the White House must hold him accountable to the same standards they applied to Richard Nixon, Ed Meese and Oliver North. Had they done so during the campaign, Clinton might not have been elected. Then the press almost unanimously said that character didn't matter. It turns out that character mattered a lot.

The latest polls show Clinton's trust reservoir has sprung a leak. It's now around 40% and falling fast.

As the Watergate-Whitewater comparisons develop, two quotes seem relevant. Nixon aide H.R. Haldeman observed: "Once the toothpaste is out of the tube, it's hard to get back in." Henry Kissinger's wry comment could be closer to the mark: "The illegal we do immediately. The unconstitutional takes a little longer."

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 9, 1994

LEVEL 1 - 12 OF 35 ITEMS

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Los Angeles Times

March 8, 1994, Tuesday, Southland Edition

SECTION: Part A; Page 14; Column 1; National Desk

LENGTH: 882 words

HEADLINE: COUNSEL ASKS CONGRESS TO AVOID WHITEWATER HEARINGS;
ETHICS: FISKE ARGUES THAT SUCH SESSIONS WOULD POSE A RISK TO HIS INQUIRY.
DEMOCRATS USE HIS PLEA TO BLUNT GOP CALLS FOR INVESTIGATIONS ON THE HILL.

BYLINE: By JOHN M. BRODER and MICHAEL ROSS, TIMES STAFF WRITERS

DATELINE: WASHINGTON

BODY

With pressure mounting for congressional hearings into the Whitewater controversy, special counsel Robert B. Fiske Jr. Monday implored the legislative leadership to avoid such sessions because they would "pose a severe risk to the integrity" of his inquiry.

Fiske argued that Congress would want to interview the same witnesses, running the risk of "premature disclosures" and "tailored testimony." He also said that congressional grants of immunity to witnesses would seriously undermine his efforts to conduct a full and impartial investigation.

Democrats immediately cited the Fiske plea as protection from the rising tide of Republican calls for open-ended congressional hearings into the legal and financial dealings of President Clinton and First Lady Hillary Rodham Clinton in Arkansas and the behavior of the Administration during the current investigation.

As Congress sparred over the Whitewater investigation, officials at the White House narrowed their list of candidates for White House counsel, with Lloyd N. Cutler, former counsel to president Jimmy Carter, and Harry C. McPherson Jr., who served as counsel to Lyndon B. Johnson, viewed as the leading contenders. A final decision is expected as early as today.

The appointee would replace Bernard Nussbaum, who submitted his resignation Saturday after a series of missteps on Whitewater and other matters.

In another day of furious fallout from the spiraling Whitewater controversy, aides throughout the White House complex combed through overflowing trash receptacles and computer files in search of material that might be covered under a Fiske subpoena.

Late last week Fiske subpoenaed nine current and one former Administration official to produce testimony and records related to several meetings between White House and Treasury officials about Whitewater. Acting White House general counsel Joel Klein instructed all White House officials to search for papers

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that might fall under the special counsel's order.

Clinton acknowledged Monday that he was informed last October that he and his wife were under scrutiny in a federal investigation into the failure of an Arkansas savings and loan owned by James B. McDougal, a former business partner.

But he said he knew nothing of meetings between regulators and White House aides to discuss the status of the investigation into the failed thrift, Madison Guaranty Savings & Loan.

At an East Room appearance with Georgian leader Eduard A. Shevardnadze that was dominated by questions about Whitewater, Clinton insisted that he and Mrs. Clinton had done no wrong and repeatedly stressed his intention to cooperate fully with the special counsel's investigation.

"We are not covering up or anything; we are opening up. We are disclosing," Clinton said. "No one has accused me of any abuse of authority in office. . . . There is no credible evidence and no credible charge that I violated any criminal or civil federal law."

He said that comparisons to the Watergate scandal that drove Richard Nixon from office are "hysteria" from partisan Republicans. And he pleaded with reporters to reduce the intensity of coverage of the spreading scandal.

The special counsel, in a move that at least indirectly benefits the White House, expressed in a letter to congressional leaders his "strong concern" about the possibility of hearings on the Whitewater scandal.

On Capitol Hill, Democratic leaders used the Fiske letter to rebuff increasingly strident Republican calls for congressional hearings.

Sen. Donald W. Riegle Jr. (D-Mich.), chairman of the Senate Banking, Housing and Urban Affairs Committee, quickly responded to Fiske's letter, saying that his panel would "defer to your investigation" and conduct no hearings on the Whitewater scandal while it is under criminal investigation. House Banking, Finance and Urban Affairs Chairman Henry B. Gonzalez (D-Tex.) gave a similar response.

Republican lawmakers expressed outrage at what they called Democratic efforts to stonewall their attempts to conduct their own investigation. Senate Minority Leader Bob Dole (R-Kan.) threatened that Republicans would hold up the confirmation of Ricki Tigert, Clinton's nominee to head the Federal Deposit Insurance Commission, until Riegle's committee agrees to conduct hearings.

Rep. Jim Leach (R-Iowa), ranking minority member of the House Banking Committee, said in an interview that, while Fiske's letter "looks thoroughly reasonable, its implications are chilling for the constitutionally mandated oversight responsibility of Congress and for free speech."

Later, in a scathing speech on the House floor, Leach questioned Clinton's ethical fitness.

"Whitewater is about the arrogance of power, political conflicts of interest that are self-evidently unseemly," Leach said, adding that the White House handling of the scandal proved that "cover-ups can be as troubling as the

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crime."

Leach said that the subpoenas issued by Fiske over the weekend showed that the focus of the investigation has shifted "from possible illegal acts committed by a President prior to taking office to possible illegal actions committed in office" and that "obstruction of justice is now clearly at issue."

Times staff writer Paul Richter in Washington contributed to this story.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 9, 1994

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LEVEL 1 - 13 OF 35 ITEMS

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Los Angeles Times

March 8, 1994, Tuesday, Home Edition

SECTION: Part A; Page 1; Column 4; National Desk

LENGTH: 1174 words

HEADLINE: CLINTON ISSUES STRONG DEFENSE OF WIFE'S INTEGRITY

BYLINE: By JACK NELSON and EDWIN CHEN, TIMES STAFF WRITERS

DATELINE: WASHINGTON

BODY

President Clinton, visibly upset that First Lady Hillary Rodham Clinton has increasingly become a focal point of the Whitewater investigation, issued a passionate defense of her Monday, declaring that "her moral compass is as strong as anybody's in this country."

"I have never known a person with a stronger sense of right and wrong in my life -- ever," the President said. "And I do not believe for a moment that she has done anything wrong.

"I could cite you chapter and verse over 20 years -- plus now -- that I have known her when it would have been very easy for her to take a shortcut, to take an easy way out, to do something else, when she has unfailingly done the right thing."

The President's unusual defense of his wife came at a time of rising criticism of the Administration's handling of Whitewater and increasingly pointed questions about Mrs. Clinton's personal role in the failed Arkansas real estate development. The questions are casting shadows over a First Lady whose role in the policy and politics of the White House is unprecedented in American history.

The Administration has counted on her as a critical asset in the fight for its No. 1 legislative goal, health care reform, as well as welfare reform and other domestic policy issues. Now, some White House officials and key congressional leaders conceded privately, the intensifying controversy threatens to undermine her leadership and her credibility.

"In Washington, if you're perceived as strong, you can get things done," said a senior White House official. "But if you're perceived as vulnerable, it's hard to get anything done."

Mrs. Clinton herself has been "uptight for weeks," sources said, over the continuing news reports of cover-up, shredded documents, conflicts of interest and other alleged improprieties in connection with the tangled land deal into which she and her husband entered in the 1970s.

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She continues to "function OK" at the White House, an official said, adding: "I'd say she's showing grace under pressure. She's called a health meeting for tomorrow."

Some Democrats warned flatly that, unless the President and First Lady can get Whitewater out of the headlines and off the evening news shows, they will lose the already touch-and-go battle for health care reform.

Others, including some leading figures in the congressional debate over health care, insisted that Whitewater has not diminished Mrs. Clinton's effectiveness. Rep. Henry A. Waxman (D-Los Angeles), chairman of the House Energy and Commerce health and environment subcommittee, said: "The overwhelming majority of the American people side with her on the issue and support her personally."

Mrs. Clinton dazzled Congress and the public last fall in her highly publicized testimony on behalf of the Administration's health reform proposal. The White House, believing that she enjoys greater public credibility than anyone else in the Administration, has counted on her to continue in that role.

But now private White House polls show that Mrs. Clinton's public approval rating has fallen below that of the President, although both have ratings between 55% and 60%. The consensus at the White House seems to be that recent disclosures which resulted in the appointment of special counsel Robert B. Fiske Jr. to investigate Whitewater and the forced resignation of White House counsel Bernard Nussbaum threaten to undermine the First Lady's efforts.

A week ago, said a senior congressional aide, he would have said that health care reform was not in jeopardy. "I now have to admit it does feel as though there has been a spillover," he said. "It reached a critical mass toward the end of last week and now it's having a strategic impact on other things."

Even if Clinton is right and he and the First Lady have done nothing wrong, said the aide, "what's wrong about it is that the White House has allowed itself to be overwhelmed by this thing. It doesn't matter what the thing is. . . . The White House is not in a governing mode, it is in scandal-defense mode. It is not in control of its own work."

What makes the "Hillary factor" so unpredictable is that no First Lady has ever assumed such an active role, both before and after coming to Washington.

To be sure, conservatives reviled Eleanor Roosevelt in the 1930s and '40s for her unstinting campaigns for liberal causes. More recently, Nancy Reagan earned considerable enmity for her efforts, sometimes with resort to astrological charts, to control President Ronald Reagan's schedule.

But no First Lady had participated in policy-making sessions at the highest levels of the White House. None had served as the leading witness in an Administration's advocacy of its policies in Congress.

What's more, no presidential wife had had such an active career before becoming First Lady. Mrs. Clinton was a lawyer in Little Rock, Ark., while her husband served as governor. It is her activities then, when she and her husband formed a real estate partnership with James B. McDougal, the owner of Madison

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Guaranty Savings & Loan, that are echoing through Washington now.

The President and his wife have described themselves as innocent bystanders as McDougal drove his S&L into the ground and lost nearly $70,000 of their assets on the Ozark Mountain resort project called Whitewater Development Corp.

Hillary Clinton's role as a former attorney for the savings and loan is at the center of the controversy. The White House has acknowledged that, while on a $2,000-a-month retainer, she worked with Madison Guaranty on a proposal to sell stock, a step that required approval of state financial regulators who had been appointed by her husband.

But it has said that her role was minimal. And although regulators ultimately approved the stock sale, the S&L did not carry it out.

Thus Mrs. Clinton's integrity as well as the President's will be on the line as Fiske, the special counsel, seeks to determine whether Whitewater involved any wrongdoing by high government officials. The outcome could matter not only to Mrs. Clinton personally -- she is said by associates to be concerned that legal defense costs could bankrupt the family, whose assets are modest by presidential standards -- but also to the Administration policy to which she has devoted much of her time.

Robert Blendon, a Harvard University expert on public opinion and health care reform, said that the Administration had based the selling of its controversial health care reform package on the credibility of the First Lady.

Administration officials believe that health reform is such a complicated issue that few people grasp its every nuance. Thus, the thinking at the White House has been that the public -- and even some members of Congress -- will have to "trust Hillary" and make a huge leap of faith.

To that extent, the continuing distractions do not bode well for the chances of congressional enactment of comprehensive reform as proposed by the Clintons.

Times staff writer Karen Tumulty contributed to this story.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 9, 1994

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LEVEL 1 - 14 OF 35 ITEMS

Copyright 1994 The Times Mirror Company
Los Angeles Times

March 8, 1994, Tuesday, Home Edition

SECTION: Part A; Page 17; Column 1; National Desk

LENGTH: 1206 words

HEADLINE: AVOID HEARINGS, WHITEWATER COUNSEL SAYS;
ETHICS: FISKE URGES CONGRESS NOT TO CALL WITNESSES BECAUSE OF THE RISK TO HIS INQUIRY. THE CANDIDATE LIST TO REPLACE NUSSBAUM NARROWS.

BYLINE: By JOHN M. BRODER and MICHAEL ROSS, TIMES STAFF WRITERS

DATELINE: WASHINGTON

BODY

With pressure mounting for congressional hearings into the Whitewater controversy, special counsel Robert B. Fiske Jr. on Monday implored the legislative leadership to avoid such sessions because they would "pose a severe risk to the integrity of his inquiry."

Fiske argued that Congress would want to interview the same witnesses, running the risk of "premature disclosures" and "tailored testimony." He also said that congressional grants of immunity to witnesses would seriously undermine his efforts to conduct a full and impartial inquiry.

Democrats immediately cited the Fiske plea to ward off the rising tide of Republican calls for open-ended congressional hearings into the legal and financial dealings of President Clinton and First Lady Hillary Rodham Clinton when they lived in Arkansas and the behavior of the Administration during the current investigation.

As Congress sparred over the Whitewater investigation, officials at the White House narrowed their list of candidates for White House counsel, with Lloyd N. Cutler, former counsel to President Jimmy Carter, and Harry C. McPherson Jr., who served as counsel to President Lyndon B. Johnson, viewed as the leading contenders. A final decision is expected as early as today.

The appointee would replace Bernard Nussbaum, who submitted his resignation Saturday after a series of missteps on Whitewater and other matters.

Clinton acknowledged at a press conference Monday that he was told "sometime in October" that federal savings and loan regulators from the Resolution Trust Corp. were investigating the possibility that his 1984 Arkansas gubernatorial campaign had received illegal contributions from a Little Rock savings and loan owned by a business partner, James B. McDougal.

The RTC was investigating possible criminal conduct in the failure of McDougal's Madison Guaranty Savings & Loan, which collapsed in 1989 at a cost to taxpayers of more than $47 million. The Clintons and McDougal were partners

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in the Whitewater Development Corp., an unsuccessful Arkansas real estate project.

At an East Room appearance with Georgian leader Eduard A. Shevardnadze that was dominated by questions about Whitewater, Clinton insisted that he and Mrs. Clinton had done no wrong and repeatedly stressed his intention to cooperate fully with the special counsel's investigation. Clinton said that he could not remember who told him about the RTC inquiry or when he learned of it. Both memory lapses could be significant.

If he was informed that he was named in an RTC referral by an official of the Treasury Department, it could represent an improper tip-off from a federal regulator to the possible target of a criminal investigation.

The timing of the disclosure to Clinton raises another important question. The Madison Guaranty case was referred to the Justice Department for possible criminal prosecution in late October. If Clinton was informed before the referral date, he would have been granted highly unusual and favorable treatment not accorded ordinary citizens.

Clinton said that he took no action as a result of the information and could not be accused of any wrongdoing or breach of ethics.

"We are not covering up or anything; we are opening up. We are disclosing," Clinton said. "No one has accused me of any abuse of authority in office. . . . There is no credible evidence and no credible charge that I violated any criminal or civil federal law."

He said that comparisons to the Watergate scandal that drove Richard Nixon from office are "hysteria" promulgated by partisan Republicans. And he pleaded with reporters to reduce the intensity of coverage of the spreading scandal. "I am fully cooperating with the special counsel," Clinton said. "They (Fiske's investigators) will find the truth . . . . "

In another day of furious fallout from the spiraling Whitewater controversy, aides throughout the White House complex combed through overflowing trash receptacles and computer files in search of material that might be covered under subpoenas of the special counsel.

Late last week Fiske subpoenaed nine current and one former Administration official to produce testimony and records related to several meetings between White House and Treasury officials about Whitewater.

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On Capitol Hill, Democratic leaders used the Fiske letter to rebuff increasingly strident Republican calls for congressional hearings.

Sen. Donald W. Riegle Jr. (D-Mich.), chairman of the Senate Banking, Housing and Urban Affairs Committee, quickly responded to Fiske's letter, saying that his committee would "defer to your investigation" and hear no testimony on Whitewater while the controversy is under criminal investigation. House Banking,

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Finance and Urban Affairs Chairman Henry B. Gonzalez (D-Tex.) gave a similar response.

Republican lawmakers expressed outrage at what they called Democratic efforts to stonewall their attempts to conduct their own investigation.

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Rep. Jim Leach (R-Iowa), ranking minority member of the House Banking Committee, said in an interview that, while Fiske's letter "looks thoroughly reasonable, its implications are chilling for the constitutionally mandated oversight responsibility of Congress and for free speech."

Later, in a scathing speech on the House floor, Leach questioned Clinton's ethical fitness. "Whitewater is about the arrogance of power, political conflicts of interest that are self-evidently unseemly," Leach said.

Leach said that the subpoenas issued by Fiske last Friday showed that the focus of the investigation has shifted "from possible illegal acts committed by a President prior to taking office to possible illegal actions committed in office" and that "obstruction of justice is now clearly at issue."

The White House search for a new counsel to replace Nussbaum included not only Cutler and McPherson but also former Watergate prosecutor Charles F.C. Ruff, and Charles B. Renfrew, a former federal district judge and deputy U.S. attorney general.

Cutler, 76, is known as a consummate Washington insider and a pillar of Democratic politics. He earned a reputation as a skilled White House counsel after he was summoned by Carter in 1979.

Cutler impressed White House officials with his energy last year when he led the forces championing the attorney general candidacy of Zoe Baird. Baird withdrew when it was disclosed that she had employed two illegal aliens as domestic help and had paid no Social Security taxes for them.

One Administration official said it would be "painfully ironic" if Cutler replaced Nussbaum in the White House counsel's post, since Cutler was the chief force behind the Baird selection -- though Nussbaum was often blamed for it.

Times staff writer Paul Richter in Washington contributed to this story.

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LOAD-DATE-MDC: March 9, 1994

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LEVEL 1 - 15 OF 35 ITEMS

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THE DALLAS MORNING NEWS

March 8, 1994, Tuesday, HOME FINAL EDITION

SECTION: NEWS; Pg. 1A

LENGTH: 1183 words

HEADLINE: Clinton defends wife, self on Whitewater issue Clinton denies cover-up charges

BYLINE: Carl P. Leubsdorf, Washington Bureau of The Dallas Morning News

DATELINE: WASHINGTON

BODY

WASHINGTON - A grim, lectern-pounding President Clinton defended his and his wife's integrity Monday and said there is no evidence that anyone in his administration interfered with the Whitewater inquiry.

"There will not be a cover-up, there will not be an abuse of power in this White House," Mr. Clinton declared.

Rejecting GOP suggestions that he is presiding over a scandal akin to Watergate, which toppled President Richard Nixon 20 years ago, Mr. Clinton said, "There is no analogy except any hysteria that they can gin up around it."

He said that, although it might have been better if three controversial White House meetings on Whitewater had not occurred, "The evidence that we have certainly makes it clear that no one tried to influence any governmental procedure or do anything improper."

Last week, it was disclosed that federal regulators had briefed senior White House staff members three times on the Whitewater investigation, prompting allegations of special treatment of Mr. Clinton.

With some Republicans raising allegations of a White House cover-up and renewing demands for congressional hearings, the president reiterated that all aides have been instructed to comply fully with Special Counsel Robert Fiske Jr. Mr. Fiske was appointed by Attorney General Janet Reno to look into the circumstances surrounding the failed Arkansas real estate venture.

He also delivered a fervent defense of first lady Hillary Rodham Clinton, who played a role in some of the legal activities related to the Whitewater deal.

"I have never known a person with a stronger sense of right or wrong in my life - ever," he said.

"I do not believe for a moment that she has done anything wrong," the president declared, pounding on his lectern. "Her moral compass is as strong as anybody's in this country."

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Mr. Clinton also disclosed that he learned in October that the Resolution Trust Corp. had referred to the Justice Department allegations that the failed Madison Guaranty Savings and Loan may have channeled funds to his 1984 gubernatorial campaign. Madison was owned at the time by James McDougal, a partner with the Clintons in the Whitewater development.

But he denied knowledge of any of the controversial Whitewater meetings and said he couldn't remember who told him the case had been sent to the Justice Department. A senior official, who asked not to be named, said the president apparently learned of it from journalists' inquiries after the referral was made Oct. 10.

The White House, meanwhile, moved to comply Monday with Mr. Fiske's directive to provide all relevant documents in the Whitewater inquiry. It was issued Friday along with subpoenas to 10 current and former administration officials.

Aides spent much of the day combing their files, and trash remained uncollected. Deputy Counsel Joel Klein issued a directive telling all officials that they must provide any information about the three known meetings - and about any others that might have occurred.

"We have put out the word it is an obstruction of justice not to get the documents to us," another senior official said.

The official, who also spoke anonymously, said that the directive to provide all relevant documents applied to Mr. and Mrs. Clinton, as well as the six White House staff members who have been subpoenaed to turn over documents and appear before a Washington grand jury Thursday.

But officials declined to say whether there had been additional meetings.

The president also reportedly drew closer to naming a replacement for White House Counsel Bernard Nussbaum, who resigned Saturday under pressure. He had been criticized repeatedly for missteps ranging from botched Cabinet nominations to his actions in the Whitewater inquiry.

According to news reports, the president's choice for the job is Washington lawyer Lloyd Cutler, 76, who was President Jimmy Carter's White House counsel.

The Associated Press reported Monday night that Mr. Cutler's appointment would be announced Tuesday.

Republicans on Capitol Hill, meanwhile, sought to use the political momentum created by Mr. Nussbaum's forced resignation to turn up the heat on Whitewater.

"The public cares more about this issue this week than it did last week," Rep. Newt Gingrich, R-Ga., second-ranking GOP leader in the House, declared at a news conference. "Somehow last week we passed the threshold."

Mr. Gingrich released a letter to Ms. Reno in which he demanded that Associate Attorney General Webster Hubbell, a former law partner of Mrs. Clinton's, be suspended because of his "involvement in the Whitewater matter."

Justice Department spokesman Carl Stern said Ms. Reno had written back to Mr.

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Gingrich that there was no basis for such a step because "Mr. Hubbell has not had any responsibilities relating to the Whitewater investigation."

Mr. Gingrich also released letters to House Speaker Tom Foley, D-Wash., and Majority Leader Dick Gephardt, D-Mo., demanding that they convene a bipartisan congressional leadership meeting to debate GOP demands for special hearings on Whitewater.

The Democrats have steadfastly refused such proposals, arguing that any comprehensive congressional hearings could interfere with Mr. Fiske's investigation.

But Mr. Foley said, "I wouldn't oppose any hearings," and ABC News said Monday night that Democratic leaders planned to meet with their GOP counterparts this week to discuss possible hearings.

Meanwhile, Mr. Fiske said in a letter to the chairman and ranking Republican on the Senate Banking Committee that congressional hearings into Whitewater "would pose a severe risk to the integrity of our investigation."

He said there would be a danger if witnesses were granted congressional immunity and if premature disclosures caused witnesses to alter their future testimony.

The ranking Republican, Sen. Alfonse D'Amato of New York, said he wanted to meet with Mr. Fiske, a fellow New York Republican, to discuss the matter.

Meanwhile, Mr. Clinton again found himself answering questions on Whitewater during a White House news conference with a visiting foreign leader, this time Georgian President Eduard Shevardnadze.

As when Ukrainian President Leonid Kravchuk visited Friday, virtually every question to Mr. Clinton dealt with Whitewater.

Asked how he felt to hear Sen. Phil Gramm, R-Texas, raise the prospect he might not be able to complete his term, Mr. Clinton replied, "I wonder why you let him get away with it."

But he added that, "frankly, when they say things, it doesn't really bother me," adding, "They have been on the whole blatantly partisan."

Separately, Mrs. Clinton told Elle magazine that much recent criticism was based on "the wildest kind of paranoid conspiracies."

In an interview, which took place before the subpoenas wereissued, she said, "This is a well-organized and well-financed attempt to undermine my husband, and by extension, myself, by people who have a different political agenda or have another personal and financial reason for attacking us."

Staff writer Richard Whittle contributed to this report.

GRAPHIC: PHOTO(S): President Clinton fields questions Monday during a news conference at the White House. Georgian President Eduard Shevardnadze appeared with Mr. Clinton, but questions focused on the continuing Whitewater

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investigation. (Associated Press)
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LEVEL 1 - 16 OF 35 ITEMS

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March 8, 1994, Tuesday, Late Edition - Final

SECTION: Section D; Page 21; Column 1; National Desk

LENGTH: 1399 words

HEADLINE: THE WHITEWATER INQUIRY;
Bringing Another Presidency and Inquiry to Mind

BYLINE: By R. W. APPLE Jr., Special to The New York Times

DATELINE: WASHINGTON, March 7

BODY

His own travails in the Whitewater affair have nothing in common with the Watergate scandal that drove Richard M. Nixon from office 20 years ago, President Clinton insisted today at a news conference in which he fought his political corner as tenaciously as Mr. Nixon ever did.

"We're not covering anything up," he said. "We are opening up."

Had the Clinton White House been as forthcoming as the President suggested it had, Mr. Clinton might have had no reason to dispute the parallel.

In that case, the focus would have remained on the Whitewater transactions themselves, long ago and far away, which are hard to follow and lacking in evident drama. The whole thing might have dried up. But now the spotlight has shifted from the Ozarks to Washington, and words like "subpoena" and "cover-up" have caught public attention. There is now no chance that things will quiet down this year.

The shift in focus, which also happened in Watergate, is of much greater importance this time than two decades ago. The original accusations against Mr. Nixon related to actions during his term as President, but those against Mr. Clinton predated his election in 1992. Suspicions of a cover-up, however, have taken investigators right into current White House activities.

The two cases have obvious differences. Watergate involved gross abuses of power, including the misuse of the F.B.I., among other agencies. Whitewater, on the record to date, has produced nothing approaching that.

Grudging Responses

It is certainly true that Bill Clinton did not dig in his heels as hard or as long as Richard Nixon did. So far, there is less evidence of an effort to block investigators. But Mr. Clinton and his staff did not react to the first set of Whitewater disclosures, or the second or third, by "opening up."

For weeks the White House resisted the appointment of an independent counsel.

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It admitted only in December that crucial documents had been removed in July from the files of Vincent W. Foster Jr., the Clinton aide who killed himself, and given to the President's lawyer. For a time, Bernard W. Nussbaum, the soon-to-depart White House counsel, said Mr. Clinton might refuse to yield Whitewater documents on grounds of attorney-client privilege.

At every turn, the White House responses to inquiries from reporters investigating the matter have been late, incomplete and grudging.

There are other similarities between Watergate and Whitewater, starting with controversy over documents and whether they have been shredded.

Mr. Nixon liked to dismiss the Watergate scandal as "a third-rate burglary," long after it was clear that it was not the break-in but the abuses of power associated with it that constituted the biggest liability. Mr. Clinton, likewise, often says that the Whitewater episode is rooted in a small-time land deal 16 years ago in which he and his wife lost money.

Distracting Questions

Defending his wife as a woman who has a "moral compass as strong as anybody's in America," Mr. Clinton sounded as defensive as Mr. Nixon used to in proclaiming the virtues of those who worked alongside him.

Two days after Mr. Nussbaum was cast to the wolves, Mr. Clinton found himself answering Whitewater questions at what was supposed to be a news conference on problems in Russia and other former units of the Soviet Union. He said he had more important things to do than defend his conduct, and he asserted that "the American people will be outraged if anybody uses this as an excuse for not doing the people's business."

On April 30, 1973, the day he announced the departure of H. R. Haldeman and John D. Ehrlichman, among others, Mr. Nixon said much the same thing.

"It is essential," he said, "that we not be so distracted by events such as this that we neglect the vital work before us, before this nation, before America, at a time of critical importance to America and the world."

Pressure on Democrats

Mr. Nixon was never able to turn back, full time, to the business of governing. More and more revelations, some directly related to Watergate but most not, kept him on the defensive until he finally resigned. In Mr. Clinton's case, much will depend on what new disclosures, if any, lie ahead.

Democrats on Capitol Hill have maintained a more-or-less united front so far, refusing demands from Republican colleagues for an investigation even though they investigated similar episodes during the Reagan and Bush eras. But that front may be cracking under the pressure of accusations that the Democrats are guilty of applying a partisan double standard.

Representative Dan Rostenkowski of Illinois, the chairman of the Ways and Means Committee, became on Sunday the first ranking Democrat on the Hill to suggest that he would consider the possibility of Whitewater hearings.

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If disclosures keep coming, and especially if there are any further hints that the White House is trying to steer the investigation, some Democrats' partisan loyalties will surely give way to self-preservation. All of the seats in the House and a third of those in the Senate, after all, will be up for grabs this November, long before Bill Clinton faces the electorate.

Similar Reputations

Like Mr. Nixon, Mr. Clinton is vulnerable in a crisis of this sort because of the ambiguous reputation that preceded him into Presidential politics.

Both men have always been widely admired for their intelligence, their political skills and their grasp of complex public questions. But both have long been dogged by questions of trustworthiness. One brought the nickname "Tricky Dick" into the Oval Office, the other "Slick Willy."

The events of last weekend were sufficiently striking that top Republicans and Democrats have for the first time begun wondering aloud, discreetly of course, whether Whitewater could eventually become serious enough to cost Mr. Clinton a second term.

Early as it is, with so many more events to unfold before 1996, the damage is already substantial, if not necessarily to the President's standing with the public, then clearly to his ability to influence legislators. And if he is unable to push through his already beleaguered legislative proposals, including health care reform and the reorganization of the welfare system, he could lose ground with voters.

The consensus so far, voiced by an influential Democratic senator: "A second term looks less routine, especially if the economy turns sour."

THE MEETINGS IN QUESTION

President Clinton today acknowledged that he was briefed some time last October on the decision by the agency overseeing failed savings and loans to ask for a criminal investigation by the Justice Department into the failure of Madison Guaranty Savings and Loan in Arkansas, a request that named the Clintons as possible beneficiaries of illegal actions. While Mr. Clinton said he did not remember who briefed him or when, the meeting was one of a series that have recently come to light concerning the referral by the agency, the Resolution Trust Corporation.

Sept. 29, 1993 -- Jean Hanson, the Treasury Department's general counsel, meets in the office of Bernard W. Nussbaum, the White House counsel, to warn him of the R.T.C's plan to ask for a Justice Department investigation.

Oct. 8, 1993 -- R.T.C. formally asks the Justice Department to look into the matter.

Oct. 14, 1993 -- A meeting is held in Mr. Nussbaum's office to discuss how to handle inquiries from news organizations about the status of the Whitewater investigation. In addition to Mr. Nussbaum, the meeting includes Mark D. Gearan, the White House director of communications; Bruce Lindsey, a senior adviser to

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Mr. Clinton; Ms. Hanson; Josh Steiner, now chief of staff to Treasury Secretary Lloyd Bentsen; and Jack DeVore, then Mr. Bentsen's press secretary.

Oct. 31, 1993 -- First press reports of the R.T.C. referral appear.

Feb. 2, 1994 -- Deputy Treasury Secretary Roger C. Altman, also the acting head of the R.T.C., meets with Mr. Nussbaum, Ms. Hanson, Harold M. Ickes, the deputy chief of staff, and Margaret A. Williams, Hillary Rodham Clinton's chief of staff. Mr. Altman acknowledges the meeting before a Senate committee on Feb. 24, saying he held the briefing to give the White House a "heads up" on how the R.T.C. would proceed on potential civil claims arising out of Madison's failure.

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LEVEL 1 - 17 OF 35 ITEMS

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March 8, 1994, Tuesday, Late Edition - Final

SECTION: Section D; Page 21; Column 1; National Desk

LENGTH: 807 words

HEADLINE: THE WHITEWATER INQUIRY;
Nussbaum Cast as All-Star, in Another League

BYLINE: By DAVID MARGOLICK

BODY

Even as Washington writes off Bernard W. Nussbaum, who was forced to resign on Saturday as the White House counsel, his once and future colleagues in the upper echelons of the New York bar, where he has 27 years' experience as a top corporate litigator, are rallying around him. Indeed, most say the sin that cost him his post is actually a point in his favor: his inability to adapt to what they regard as the back-stabbing ways of the nation's capital.

Promised anonymity, some of Mr. Nussbaum's many friends nonetheless concede that he brought certain liabilities to the White House job. In corporate litigation, they note, hand-holding with individual clients looms less large, disputes remain more private and the game, though still played with a hard ball, is largely about the law and is almost devoid of the kind of politics that permeates Washington.

These friends also note that for the first time since he was the senior associate special counsel to the House Judiciary Committee during its Watergate investigation, when he first met Hillary Rodham, then on the committee's staff, Mr. Nussbaum was without the advice of his colleagues at Wachtell, Lipton, Rosen & Katz.

Washington Work Is Done

In a telephone interview from his White House office on Sunday night, Mr. Nussbaum said he planned to return to his old law firm after he leaves the White House on April 5.

"I am proud to have been able to work in the White House as long as I did, but I've always known that the cornerstone of my good fortune was not in my job in Washington but in my friends and family in New York and elsewhere," he said. "My work in Washington is now done, and I look forward to coming home. And an important part of my home has always been Wachtell, Lipton."

The 57-year-old Mr. Nussbaum is well liked, even beloved, in the loftiest perches of the Manhattan bar. His forced resignation has prompted condolences from dozens of callers, among them Gov. Mario M. Cuomo and Mayor Rudolph W. Giuliani. If, fairly or not, he will be remembered as a bungler in the capital, he is viewed among his peers in New York as a savvy and honest lawyer.

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While Mr. Nussbaum's critics deem his one-year tenure a fiasco, his friends see the abrupt end of that tenure as a personal tragedy, the snuffing out of his lifelong dream of public service. Such was his excitement over the White House job, they say, that in the end it may have compromised his judgment and independence.

Mr. Nussbaum's supporters think the mistakes attributed to him in his handling of personnel and the Whitewater affair were not his fault, were made at his client's behest, were no big deal or were the product of a gaping cultural gap between New York and Washington.

"If Bernie made any errors at all, it was in devoting his enormous intellect too enthusiastically to representing the President," said Ira Millstein of Weil, Gotshal & Manges, one of New York's largest law firms.

Andrew Maloney, a former United States Attorney in Brooklyn and now a partner at the Manhattan law firm of Brown & Wood, said much of the criticism had resulted from Mr. Nussbaum's "taking it on the chin for his client."

"If Bernie had one weakness, it was that he was a bit naive about life inside the Beltway," Mr. Maloney said.

Anyone who visited him at the White House or heard him during his periodic trips back to New York over the last year knew that Mr. Nussbaum, who grew up in a household of modest means on the Lower East Side, had remained almost intoxicated by the realization that the counsel job was actually his.

Both that enthusiasm and an eagerness to remain ingratiated with his clients, his supporters say, may have prompted him to give President and Mrs. Clinton advice that they wanted -- like opposing the appointment of a special counsel in the Whitewater matter. "There's a certain desperate quality to Bernie," said one New York litigator, "and when you're needy, you sometimes lose your independence."

Welcome Back

Martin Lipton, a founding partner of Wachtell, Lipton, said the firm would welcome Mr. Nussbaum back. "Bernie is as street-smart and politically wise as any lawyer in the country," Mr. Lipton said in an interview. "But he is also totally honest, and because of his forthrightness and unwillingness to dodge and duck, he's ended up being the target of this."

Another of Mr. Nussbaum's New York admirers, Charles Stillman, predicted that the departing counsel's time in a town "filled with Gilloolys" ready to knee-cap their enemies would only enhance his reputation.

"Bernie will come back to the embrace of people who know him, who admire him, who care about him, and he'll get over this," Mr. Stillman said. "And if I'm a client, I want this guy to be my lawyer. He took a grenade for the President of the United States."

GRAPHIC: Photo: Professional colleagues of Bernard W. Nussbaum say he is in some ways too good a lawyer to succeed in Washington. (Paul Hosefros/The New York Times)

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LEVEL 1 - 18 OF 35 ITEMS

Copyright 1994 The New York Times Company
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March 8, 1994, Tuesday, Late Edition - Final

SECTION: Section A; Page 1; Column 6; National Desk

LENGTH: 1345 words

HEADLINE: PRESIDENT ADMITS HE KNEW OF INQUIRY ON LAND DEALINGS

BYLINE: By DOUGLAS JEHL, Special to The New York Times

DATELINE: WASHINGTON, March 7

BODY

President Clinton today defended his wife and his White House against accusations of interfering in the Whitewater investigation, but he quickly found himself facing new questions about his knowledge of the inquiry's earliest stages.

After a stormy weekend watching from Camp David as his Administration came under attack for its handling of the Whitewater case, Mr. Clinton held a White House news conference today on relations with the former Soviet Union. But he clearly expected to be asked about Whitewater and was prepared to offer extended comments.

He emphasized that the Whitewater affair was different from past investigations of the White House, especially Watergate, which drove President Richard M. Nixon from office. "No one has accused me of any abuse of authority in office," Mr. Clinton said. "That's what Watergate was about."

Effort to Counterattack

As part of a calculated effort to "take the offensive," Mr. Clinton pounded the lectern as he came to the defense of his wife, Hillary. Mrs. Clinton has been criticized in recent days for her role in the Clintons' investment in the Whitewater Development Company, an Arkansas land venture, and its ties to an Arkansas savings and loan that was taken over by Federal regulators.

"I do not believe for a moment that she has done anything wrong," Mr. Clinton said. "If everybody in this country had a character half as strong as hers, we wouldn't have half the problems we've got today."

Trying to get the White House staff back on its feet, Mr. Clinton has chosen Lloyd N. Cutler, who served as White House counsel under President Jimmy Carter, to become interim White House counsel, Administration officials said tonight. [Page D21.]

Focus on White House

But Mr. Clinton left his aides scrambling to put out a new brushfire, which

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he started when he acknowledged during the news conference that he had been told about a request by Federal regulators for a criminal investigation into the savings and loan, Madison Guaranty.

That statement made it clear for the first time that Mr. Clinton learned about the sensitive request before it became public and raised the question of whether he had gained the knowledge improperly. In recent days, attention has focused on internal White House discussions about the inquiry, including several conversations between White House and Treasury Department officials.

The disclosure of those conversations last week forced the resignation of Bernard W. Nussbaum, the White House counsel, who attended some of the meetings, and prompted Robert B. Fiske Jr., the special counsel who was appointed by Attorney General Janet Reno to investigate Whitewater, to issue subpoenas to six senior White House staff members, including Mr. Nussbaum.

White House officials said they also expected other Clinton aides to receive subpoenas from Mr. Fiske, perhaps including the chief of staff, Thomas F. McLarty 3d, who has acknowledged being told in advance about one meeting under scrutiny.

With the White House trying to meet a Thursday deadline to turn over subpoenaed documents, House Democratic leaders agreed to meet with Republicans to discuss their demands for a Congressional inquiry into Whitewater.

But Mr. Fiske asked lawmakers not to hold such hearings, saying they would interfere with his own investigation. Mr. Fiske may have been seeking to avoid the kind of problems faced by prosecutors in the Iran-contra affair, when a court dismissed two central cases on the ground that Congressional hearings had tainted the evidence.

Dealing With Subpoenas

As Mr. Clinton's aides joined in the effort to fight back, Dee Dee Myers, the White House spokeswoman, tonight welcomed Mr. Fiske's request that Congress postpone any investigation of the Whitewater matter. "We want a good, solid and thorough inquiry, and we don't want to do anything that would interfere," Ms. Myers said.

And as the White House began to sift through the documents already subpoenaed by Mr. Fiske, Government officials familiar with the sweeping terms of his request said it was likely to yield information about previously undisclosed internal White House discussions or meetings with with Administration officials involved in the inquiry into Madison Guaranty.

Joel I. Klein, the deputy White House counsel, is to meet with Mr. Fiske on Tuesday to discuss how the documents will be turned over to the special counsel. Hundreds of White House officials, including the President and the First Lady, have been asked to reply to Mr. Fiske's request for "any and all documents" relating to discussions about the inquiry, a senior White House official said today.

The way the Whitewater case has come to overshadow all other business was played out at today's news conference, where the guest, President Eduard A.

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Shevardnadze of Georgia, could only look on as Mr. Clinton was repeatedly questioned about the land deal.

Asked by the first reporter he called on when he had first learned of the investigation, Mr. Clinton responded with a long and carefully worded statement that he had first been told of it "sometime in October."

Concern About Request

Mr. Clinton said he did not remember who had told him about the investigation or exactly when in October he learned of a request made the Resolution Trust Corporation on Oct. 8 for a criminal investigation of Madison Guaranty. But he acknowledged that he had been told that the request for the investigation identified his gubernatorial campaign as a possible beneficiary of illegal action by Madison Guaranty, whose chairman, James B. McDougal, was a partner with his wife, Susan, and the Clintons in Whitewater, an investment intended to develop vacation homes in Arkansas. Part of the investigation has focused on whether Madison improperly allowed overdrafts by Whitewater.

Such requests for an investigation, known as criminal referrals, are regarded as highly confidential by the Justice Department and the R.T.C., which is an independent agency that takes over savings and loans in difficulty. It was not until Oct. 31 that first word about the investigation appeared in a news account. The vague chain of events sketched by Mr. Clinton today meant that he learned about a criminal investigation that could involve him and his wife either before a formal decision was made to proceed with it or when the investigation was in its earliest stages.

In an effort to distance Mr. Clinton from the most controversial of the meetings involving his aides, a senior White House official said after today's news conference that "all indications" were that he had not been told of the decision until after it was sent to the Justice Department. Both Mr. Nussbaum, who learned of the inquiry in a Sept. 29 conversation with a Treasury official, and Bruce Lindsey, the White House personnel director, whom Mr. Nussbaum then told about it, had insisted that they had not shared that information with Mr. Clinton, the senior official said.

Interviewed tonight on ABC's "Nightline," David R. Gergen, the counselor to Mr. Clinton, said the President's best recollection was that he was told about the request only after reporters began to ask the White House about it. But Mr. Gergen said: "It was not something that threatened him directly, as I understand it, and he has a hazy memory of it."

A Second Front

Mrs. Clinton began her own counteroffensive last Friday during an interview with Elle magazine, which today released excerpts from her remarks.

In the interview, she said that she was treating the fresh allegations of misconduct as politically motivated.

"I know nothing bad happened," she said. "And that's what everybody's going to know, as they should know now, since they have yet to come forward with anything other than the wildest kind of paranoid conspiracies.

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"But I am just not interested in falling into the trap that the fomenters of all this want us to, which is to become isolated and on the defensive and diverted," she said. "I'm not going to let that happen."
GRAPHIC: Photos: President Clinton answering questions on the Whitewater inquiry at a news conference with President Eduard A. Shevardnadze of Georgia. (Reuters) (pg. A1); Before holding a White House news conference yesterday in which he defended his aides' handling of the Whitewater inquiry, President Clinton traveled to southeast Washington to dedicate a home built for a low-income family by volunteers for Habitat for Humanity. The new homeowner, Vivian Miller, stood to the right of the President. (Stephen Crowley/New York Times) (pg. D21)

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LEVEL 1 - 19 OF 35 ITEMS

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March 8, 1994, Tuesday, Late Edition - Final

SECTION: Section D; Page 20; Column 1; National Desk

LENGTH: 1931 words

HEADLINE: THE WHITEWATER INQUIRY;
Excerpts From President's Remarks on the Whitewater Investigation

BYLINE: Special to The New York Times

DATELINE: WASHINGTON, March 7

BODY

Following are excerpts from President Clinton's remarks about the Whitewater investigation at his news conference today, as transcribed by the Federal Information Systems Corporation, a private transcription service:

Q. Mr. President, there were at least three occasions where White House officials were briefed by Federal regulators about the status of the Whitewater investigation. Were you and Mrs. Clinton aware of those contacts, and what were you told about the content of those discussions?

A. Well, there were no briefings, and I didn't know about, for example, Roger Altman's meeting until he testified to it on the Hill. And one of the other contacts I think was a press contact of some kind; I was unaware of that one.

Sometime in October I was -- I became aware of -- I don't know when, but sometime in October I became aware of the R.T.C. finding with regard to the question of -- the referral, I think it's called -- on the question of whether my campaign benefited improperly from checks which allegedly came from the S.& L. And I knew about that. That was -- I don't remember when I knew about it or who told me about it, but it was just sort of presented as a fact, a decision that had been made by the Government. And I didn't think much about it at the time. It was just something that I absorbed. It was told to me as a -- just as something that the Government had decided to do. Otherwise, I was not aware of any of these things.

Now, let me say -- let me remind you of what we have done in the last few days.

First, to avoid any question arising in the future that -- of the propriety of any of these actions, we have literally erected a fire wall between the White House and other regulatory agencies so that any contact in or out relating to any of these matters would have to be cleared by and approved by the counsel's office so that all of these matters will be clear and proper.

Secondly, we have committed to fully support and cooperate with the special

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counsel's subpoenas to look into this. On Friday night, as soon as the subpoenas were received, the White House deputy counsel, Joel Klein, sent a memo to all the White House staff describing the documents called for and a procedure to fully comply. This morning, the chief of staff, Mr. McLarty, sent a detailed compliance memo from Mr. Klein to all the staff setting forth the procedures that the staff must follow to make sure the compliance is full and complete.

Second, we have begun in earnest -- I have personally -- a process to select a new White House counsel, and I want to make it just exactly clear what I'm looking for: No. 1, I want someone of unquestioned integrity and a lot of experience in dealing with the kinds of issues that have to come into the White House; someone who can establish processes that everyone will acknowledge are appropriate to deal with all the legal matters that the White House deals with; and finally, someone who will inspire confidence in me and in you, the press, and most importantly, in the American people, that we are going the extra mile, not only in this case but in all cases, to deal with all matters in the appropriate way.

. . .

Hillary Clinton's Role

Q. Mr. President, how do you feel about your wife's becoming a focal point of the Whitewater investigation? And The Washington Times quotes three couriers as testifying that she ordered the shredding of documents. I know this is all very painful, but I wonder how it's affected you and your household ----

A. Well, let me say that the only thing that I want to say on behalf of both of us is that we want to support the special counsel's work, and we want to ask the American people to let the process work.

Law firms dispose of their documents all the time. And I did not read the article, but I understand the article didn't purport to say what the contents of any of the files were.

I can tell you this: I believe I'm a better authority than anybody else in America on my wife. I have never known a person with a stronger sense of right and wrong in my life -- ever.

I could cite you chapter and verse over 20 years-plus now that I have known her when it would have been very easy for her to take a shortcut, to take an easy way out, to do something else, when she has unfailingly done the right thing. And I do not believe for a moment that she has done anything wrong. I have -- I -- I just -- if the rest of the people in this country -- if everybody in this country had a character as strong as hers, we wouldn't have half the problems we've got today.

Now, people can ask whatever questions they want, and we will do our best to comply. But I'm just telling you, the American people can worry about something else. Her moral compass is as strong as anybody's in this country, and they will

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see that.

. . .

Confidence in McLarty

Q. Mr. President, your chief of staff, Mack McLarty, said that he knew about one of the meetings with the Treasury officials. Can you tell us why he didn't seem to understand that that kind of meeting could give the appearance of impropriety? And does the fact that he didn't diminish your confidence in him?

A.No, because I didn't know until yesterday, I guess, that the ethics counsel for the Treasury Department apparently approved the Altman meeting.

Let me tell you what I told them to do. Let me just tell you what -- I have instructed the staff not only to fully comply with this subpoena, but to examine the records and the memories of everyone for any conceivable contact during this time period so that all of the -- any facts that need to be disclosed can be fully disclosed and completely evaluated. I think the evidence that we have certainly makes it clear that no one tried to influence any governmental procedure or do anything improper, but as I said before, last week, it would have been better if at least some of these meetings had not occurred. And we now have the fire wall established which will guarantee that it won't happen in the future.

I do ask you for some sense of balance about what's going on here. I was -- I understand -- I did not see it, but I understand Sam Dash was last night on television and pointed out that, unlike previous -- some previous Administrations, we were fully cooperating, we were giving records, we were giving whatever we asked to give not only to the special counsel, we weren't resisting, we were supporting subpoenas. This Administration is determined to have a standard by which anybody else in the future will be judged in how we deal with this sort of inquiry. I just want the inquiry to proceed. I want it to be -- to have a chance to succeed.

. . .

Republican Criticism

Q. Mr. President, I'm wondering what goes through your mind when you hear critics -- I guess especially Republican critics -- compare this current controversy to Watergate, and what goes through your mind when you hear someone like Senator Gramm formulate a statement by starting with a statement that, "If the President wants to finish up his term"?

A. Well, I wonder why you let him get away with it. [Laughter.] I mean,

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frankly, when they say things, it doesn't really bother me. They have been on the whole blatantly partisan, and it's obvious that they want to do something that I don't think the American people ought to let them get away with, which is to deter this Administration and the entire Federal Government from meeting its responsibilities to the people.

I mean, it's a good excuse for why you don't have a health care plan. Go down and have a health care retreat, and can't agree on a plan? Come back and jump on this issue. And the American people will be outraged if anybody uses this as an excuse not to keep going and doing the people's business, first of all.

Secondly, the Speaker of the House was very eloquent about this last weekend. There is a huge difference here.

No. 1, we're not covering up or anything, we are opening up. We are disclosing. We are giving you information.

No. 2, no one has accused me of any abuse of authority in office. That's what Watergate was about.

No. 3, there is no credible evidence and no credible charge that I violated any criminal or civil Federal law eight or nine years ago, when most of these facts that are being bandied around are discussed. I mean, this is really about a real estate investment I made almost 16 years ago now that lost money and sputtered to a not-successful conclusion -- several years ago.

So there is no analogy except any hysteria that they can gin up around it. That's why I say I have been forthcoming; I will continue to be forthcoming. You're going to be confident in the way we handle this. There will not be a cover-up; there will not be an abuse of power in this office. This -- and there is no credible charge that I violated any law, even way back in the Dark Ages -- or years ago when this happened. And I just would remind you, I was governor of my state for 12 years. There was never a hint of scandal in my administration.

So this is going to be a very different thing. And I think that, you know, what they do today as Republicans, as a party, may look good today; it may not look very good when the independent counsel finishes his work. And I think they ought to think long and hard about whether this sort of partisan clamor and careless use of language and careless use of the facts is really not only in the best interests of the American people, but in the best interests of their party. We got -- all of us got hired here to work for the American people, not to throw off on each other. Now I know a lot of people in this town like to do it, but it's a very unproductive use of time.

If I did something wrong, it will come out in the special counsel. That's what the Republicans said they wanted. That's what most of your media outlets said you wanted. I am fully cooperating with the special counsel. They will find the truth; let them do it. That is -- and let the rest of us go on with our business. That's what we got the special counsel for.

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Instructions to Staff

Q. Mr. President, as part of your commitment to fully cooperate with the special counsel, will you instruct your staff that you don't wish to invoke attorney-client privilege or executive privilege, and will you ask them not to, in appearing before a grand jury, invoke the Fifth Amendment? And if you ask them to do that, do you see any conflict between their individual rights and your attempt, your commitment, to get all the information out?

A. Well, I can't answer any of those questions because I haven't even thought about it. I mean I'm telling you, no one I know, no one I have talked to, believes anything violative of any law which -- has occurred by anybody. I mean, a lot of these hypothetical questions which have been raised have been literally bewildering to me, based on my understanding of the facts.

. . . .

And the only thing I ask you to do is, if you can become satisfied that we are fully cooperating and that we now have procedures in place which will prohibit any improper contact of any kind, and there is no evidence that any improper influence was sought to be exercised by me or anybody else over any official decision, then let the special counsel do its job, so that we can go forward with the work of the American people. That is the important thing we have to do.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 20 OF 35 ITEMS

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The New York Times

March 8, 1994, Tuesday, Late Edition - Final

SECTION: Section A; Page 2; Column 5; Metropolitan Desk

LENGTH: 57 words

HEADLINE: Corrections

BODY
An article on Sunday about the resignation of Bernard W. Nussbaum as White House counsel misidentified the Congressional committee on which both he and Hillary Rodham Clinton were staff lawyers. It was the House Judiciary Committee, which was considering the impeachment of President Richard M. Nixon, not the Senate Watergate committee.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 21 OF 35 ITEMS

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USA TODAY

March 8, 1994, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 1A

LENGTH: 1081 words

HEADLINE: Furor over the first lady / Issue shows dilemma of changing role

BYLINE: Richard Wolf; Patricia Edmonds

BODY

Just as Hillary Rodham Clinton stood by her man during the darkest days of the 1992 presidential campaign, President Clinton came to the first lady's defense Monday in podium-pounding fashion.

With flushed face and misty eyes, he said, "I have never known a person with a stronger sense of right and wrong in my life - ever. . . . I do not believe for a moment that she has done anything wrong."

But it will take more than her husband's testimonial to ease concerns about Hillary Clinton's myriad roles: loyal wife, loving mother, acclaimed lawyer, activist adviser - and now, controversial player in the Whitewater land deal.

Until now, some have deemed her detractors sexists, too old-fashioned to see that a modern first lady can be an integral part of an administration. But the real problem, analysts say, is that she cannot be treated like any other aide - not by the president, the staff or the Congress.

And most important, they say: She cannot be fired.

"It points up the conundrum with respect to Hillary Rodham Clinton's position," says Linda Chavez, a former Reagan administration official.

"Under normal circumstances, if you appoint somebody and they get involved in a personal scandal, they can resign, they can be removed," Chavez says. "But you can hardly remove somebody who's the first lady."

From health-care policy to personnel appointments, this first lady enjoys unprecedented clout in the White House.

And given her central role in Whitewater - by all accounts she was far more involved in the real estate investment than her husband - the talk in Washington circles has shifted from substantive debates over Hillary Clinton's health-care plan to scandals and coverups.

Monday, as her husband defended her - "Her moral compass is as strong as anybody's in this country," he said - Hillary Clinton stayed out of the public eye.

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No wrongdoing has been charged in Whitewater.

But Hillary Clinton's involvement is complex: She was active in the Clintons' 50% investment in the 230-acre property, on which they claimed a $ 69,000 loss. She was a lawyer for Madison Savings & Loan, which later failed and cost taxpayers more than $ 47 million to bail out.

And The Washington Times has reported that she had documents - whose contents were not known - shredded in 1992 at her law firm. The White House denies it.

She has reacted to the unfolding drama with judgments some have found politically flawed. She fought fiercely, some say, the idea of a special counsel to carry out an independent investigation. She fought turning over documents.

And she fought to keep White House counsel Bernard Nussbaum - who resigned last weekend - on board after it was clear he would have to go.

"Maybe they'll fire Hillary," went the quip at Washington office water coolers. But it would take a divorce, not a pink slip, to lessen her influence at 1600 Pennsylvania Ave.

And so, the question behind the quip: What happens when loyal spouse and top adviser are rolled into one?

"The fair way to put it is this: She has helped the president enormously. And now she is hurting the president considerably," says Larry Sabato, professor of government at the University of Virginia.

When the first lady is good, she is a wonderful spokeswoman - as when she campaigned on her husband's behalf in 1992 or when she cows a congressional panel or wows a community forum with her cure for a troubled health-care system.

But Sabato says the trouble now is that as a working professional, she brings "some of the baggage that all professionals have - which is circumstances that could be construed as conflicts of interest and even unethical situations."

Some critics warned of this from the start. The first lady, they said, should not be given a top policy role, such as shepherding her husband's top legislative priority - health care - on the hustings and Capitol Hill.

Paul Greenberg, editorial page editor of the Arkansas Democrat and Gazette in Little Rock, says Whitewater makes him "yearn for the good old days of Bess Truman and Grace Coolidge . . . spouses of a president who have stepped in and done important work. But they did not step in in their own right."

Supporters, however, sing Hillary Clinton's praises, insisting she can take the heat without retreating to the White House mess. Her off-the-cuff dissertations on health care, for example, have become the stuff of legend; last September's primer for hundreds of lawmakers was labeled a "tour de force."

But while some question her role, others sympathize with the pressure she has been under and insist the real Hillary Clinton - politically savvy, personally charming and a calming influence on the president - will win out.

One former first lady who felt the lash of changing political fortunes has

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urged this one to "just keep working."

"I applaud her efforts," says Rosalynn Carter. "Having been a first lady, you realize that there is some influence in that position, and I applaud those who take advantage of that."

Hillary Clinton sounds like she's taking that advice. In an interview done before last week's Whitewater subpoenas, but to be published in the May issue of Elle magazine, she asserts her innocence and lashes out at her critics.

"This is a well-organized and well-financed attempt to undermine my husband, and by extension myself, by people who have a different political agenda or have another personal and financial reason for attacking us," she says.

"I know nothing bad happened," she adds. "But I am just not interested in spending my days falling into the trap that the fomenters of all this want us to . . . to become isolated and on the defensive and diverted."

Personal friends say Hillary Clinton is cool in the face of controversy. When Diane Blair picked up the phone Monday morning and heard the first lady, she was "relieved and glad . . . to hear a voice that was not so beaten down by it all that she's lost herself. I would think it would be hard to stay focused, but if anyone could do it, she could."

Blair, a professor at the University of Arkansas, says the two caught up on family and talked briefly "about tough times."

For her own part, Hillary Clinton is "reading and watching" the news about Whitewater, says spokesman Neel Lattimore.

But at the same time, Lattimore says, she's "keeping focused on what the administration is all about."

Contributing: Richard Benedetto, Dennis Cauchon, Mimi Hall, Judi Hasson and Bill Nichols

GRAPHIC: PHOTO FIRST, color, Gary Cameron, Reuters; PHOTO, color, Gary Cameron, Reuters; PHOTO, color, Tim Dillon, USA TODAY

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LEVEL 1 - 22 OF 35 ITEMS

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USA TODAY

March 8, 1994, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 1A

LENGTH: 318 words

HEADLINE: Clinton comes out fighting

BYLINE: Adam Nagourney

BODY

President Clinton, forced to respond to Whitewater, vigorously defended his wife, rejected comparisons to Watergate and blasted Republican attacks as "blatantly partisan."

"We're not covering up or anything - we are opening up," Clinton told reporters.

"If I did something wrong, it will come out in the special counsel. That's what the Republicans said they wanted. That's what most of your media outlets said you wanted."

Just hours after the president hammered congressional critics, special counsel Robert Fiske urged senators not to conduct a hearing into Whitewater - saying it would "pose a severe risk" to his probe.

Fiske's fears include grants of immunity, which caused overturned convictions in the Iran-contra case.

But House Republican Whip Newt Gingrich, R-Ga., a supporter of hearings, said, "As long as a committee does not offer immunity it does not in any way endanger a case."

House Speaker Thomas Foley, D-Wash., said he and leaders of both parties would meet to discuss hearings.

Clinton noted no one has "accused me of abuse of authority in office. That's what Watergate was about."

Pressed by reporters, Clinton for the first time faced a lingering question in the case - whether he had improper advance word that the Justice Department had launched an investigation of Whitewater.

Six White House aides, and four current and former Treasury Department officials, are to testify Thursday at least about three conversations they had last fall on the topic.

Clinton said he knew about two of them.

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He said he learned in October that the case had been referred to the Justice Department, but could not remember when or from whom.

Meanwhile, Lloyd Cutler, a long-time Washington Democrat, was reported to be Clinton's choice to replace outgoing White House counsel Bernard Nussbaum, at the center of the latest charges.

Cutler held the position under Jimmy Carter.

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LEVEL 1 - 23 OF 35 ITEMS

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USA TODAY

March 8, 1994, Tuesday, FIRST EDITION

SECTION: NEWS; Pg. 2A

LENGTH: 453 words

HEADLINE: Congressional probe discouraged

BYLINE: William M. Welch; Leslie Phillips

BODY

Despite GOP calls for hearings into President Clinton's Whitewater affair, special counsel Robert Fiske cautioned Monday that a congressional probe could jeopardize his own investigation.

Fiske's warning came in a letter Monday to House and Senate banking committees.

Democrats were relieved by Fiske's request and pointed to the way congressional hearings tainted prosecution of Iran-contra figures during the Reagan administration.

House Speaker Thomas Foley, D-Wash., agreed to meet with Republicans to hear their request for special hearings, but said he remained opposed to the sessions.

Barring formal hearings, Republicans plan to use a scheduled March 24 House banking committee meeting on the savings-and-loan scandal to press the issue.

Rep. James Leach, R-Iowa, ranking Republican on the panel, prepared a list of witnesses from the administration and elsewhere that he intends to call. He promised "blockbuster" disclosures but declined to characterize his evidence.

"We've got a White House that's stonewalling and a group of congressional Democrats that is also stonewalling and not letting the character of the matter come forward," said Rep. Bill McCollum, R-Fla. "This is bad for the office of the presidency."

Sen. Alfonse D'Amato, R-N.Y., said: "We cannot simply accede without attempting to work out a manner in which we can hold hearings and conduct them."

Long noted as one of the most moderate and least partisan of House Republicans, Leach's dogged pursuit of the Whitewater scandal has energized Republicans while dismaying congressional Democrats.

"In a nutshell, Whitewater is about the arrogance of power - political conflicts of interest that are self-evidently unseemly," Leach said.

"Can a president ask others to play by the rules, i.e., obey the law, if he

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doesn't play by them himself? . . . Obstruction of justice is now clearly at issue."

House Republican Whip Newt Gingrich called on Attorney General Janet Reno to suspend Webster Hubbell, an associate attorney general and Clinton confidant. Reno rejected the move.

Gingrich also pressed for hearings, saying that while Fiske can determine the legal issues, Congress should act because of "the public's right to know."

Rep. Henry Waxman, D-Calif., opposed hearings unless new evidence surfaces. "The press is hyping this like it's another Watergate," he said.

But Rep. Timothy Penny, a retiring Democrat from Minnesota, said, "The best way to get this issue behind us is to get the facts on the table" by having congressional hearings. He criticized the White House for employing a "bunker mentality" to Whitewater.

Contributing: Jessica Lee of USA TODAY and Norm Brewer of Gannett News Service

GRAPHIC: PHOTO, b/w, John Duricka, AP

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LEVEL 1 - 24 OF 35 ITEMS

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USA TODAY

March 8, 1994, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 2A

LENGTH: 337 words

HEADLINE: Hillary Clinton's roles as lawyer and investor

BYLINE: Dennis Cauchon

BODY

Hillary Rodham Clinton has three key roles in Whitewater:

-- Whitewater. She was one of the original investors in the 230-acre piece of land - called Whitewater Estates - that gave the controversy its name. Other investors were Bill Clinton, Madison Guaranty Savings & Loan owner James McDougal, and his wife, Susan McDougal. Hillary Clinton played an active role in the investment; Bill Clinton's involvement appears minimal.

For example, Hillary Clinton borrowed $ 30,000 in her own name in 1981 to build a model home at Whitewater.

She also requested power of attorney in 1988, which would have given her control over Whitewater. She did not get it. James McDougal continued to make the key decisions.

Questions have been raised about whether the Clintons received a sweetheart deal.

-- Legal work. Hillary Clinton was a lawyer for Madison S&L when it got regulators' OK to raise money from investors to prop up its crumbling finances. The S&L regulator, appointed by Gov. Bill Clinton, responded in a "Dear Hillary" letter.

McDougal says that Bill Clinton asked the banker to throw some business Hillary's way. As a result, McDougal says, he put her law firm on a $ 2,000 monthly retainer. Clinton denies the claim.

Madison failed and cost taxpayers more than $ 47 million.

In another case, Hillary Clinton was a lawyer for federal regulators who had sued Clinton family friend Dan Lasater. Lasater owned a Little Rock investment firm that sold bad investments to an Illinois S&L. The government sued for $ 3.3 million and settled for $ 200,000.

Critics say it was a conflict of interest for Hillary Clinton to represent regulators against Lasater, who contributed to Clinton campaigns and employed his brother Roger.

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-- Missing documents. The McDougals say they sent all Whitewater records to the Governor's Mansion.

The Clintons say they do not have all the records. The White House denies a Washington Times report that Hillary Clinton had documents from her former law firm shredded in 1992.

GRAPHIC: PHOTO, b/w, AP

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LEVEL 1 - 25 OF 35 ITEMS

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USA TODAY

March 8, 1994, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 3A

LENGTH: 600 words

HEADLINE: The public is left to wonder: If there's smoke, is there fire?

BYLINE: Richard Benedetto

BODY

A woman was spotted Sunday in Phoenix proudly sporting a T-shirt that read "Impeach Clinton."

Of course, the unfolding Whitewater affair is still light-years away from that and could quickly fizzle out just as the Carter peanut warehouse bomb did some 16 years ago.

But people outside the Washington, D.C., beltway, although normally too busy to pay much attention to the particulars of Whitewater, have begun to focus on the issue.

They remember that Watergate was at first dismissed as a "third-rate burglary."

And they recall that members of the Reagan White House implicated in Iran-contra engaged in lies and deceptions to protect the president.

So they naturally wonder if the wisps of smoke emerging from Whitewater - questionable staff meetings, allegations of document shreddings and charges of cronyism and conflict of interest - signal another smoldering fire that could seriously damage or destroy the Clinton presidency.

There's concern a wounded Clinton could set back attempts to change the health-care system, drag Democrats to defeat in November, and over the long haul, enable the GOP to reclaim the White House in 1996.

"It's not a serious political problem yet, but it may be just around the corner from being one," says Democratic pollster Alan Secrest. "Once people start hearing words like 'resignation,' 'subpoena,' 'shredding' and 'grand jury' it moves onto a broader stage."

Democratic consultant Brian Lunde says "people are not being judgmental yet, but they're getting curious."

Indeed, Whitewater, which for the past three months has been covered sporadically in the national media, has led the network news and graced front pages in recent days as appearances of a cover-up began to emerge.

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The heavier exposure was fueled by accusations White House counsel Bernard Nussbaum improperly used his office to defend Clinton. Acting as if he were personal attorney to Bill Clinton, rather than legal adviser to the president, Nussbaum aggressively built walls to block prosecutors from looking into the case and held meetings with Treasury officials to learn what investigators were up to. He resigned under fire Saturday.

Some Democratic analysts continue to dismiss the brouhaha as just a lot of partisan carping by petty Republicans, envious because the economy is improving and Clinton is slowly but surely proving that Democrats can govern.

"It's full of sound and fury, signifying nothing," says Democratic pollster Mark Mellman.

Mellman says the public is having trouble understanding Whitewater, and tends to dismiss it as the usual mudslinging, of which it's long grown tired. He says voters want Clin ton to stay focused on problems - like crime, health care and the economy - and not be sidetracked by Whitewater.

But Republican pollster Neil Newhouse says Whitewater "is unlikely to go away soon," now that it's a media hit.

Kenneth Duberstein, the Reagan chief of staff who sat in a hot seat during the dog days of Iran-contra, says Democrats should heed the lessons learned in the Reagan and Nixon White Houses: "The White House has to be pro-active and leapfrog ahead rather than appearing to be continually reacting to the events or allegations of the day."

Beyond that, GOP consultant Eddie Mahe, who watched Watergate unfold while working in the bunker of the Republican National Committee, says the best thing the Clinton White House can do is make a clean breast of things:

"If they've really done nothing illegal, they should get everything out, open every window in the building and let in all the fresh air they can."

GRAPHIC: PHOTO, b/w, Gary Cameron, Reuters

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LEVEL 1 - 26 OF 35 ITEMS

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USA TODAY

March 8, 1994, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 3A

LENGTH: 1322 words

HEADLINE: WHITEWATER: As the scandal escalates, Clinton and his staff struggle to get back on track -- and the president offers an emotional defense of his wife's business dealings

BYLINE: Adam Nagourney

BODY

With key aides missing from their White House offices and others rummaging for documents in garbage pails, President Clinton fought Monday to contain questions about Whitewater - denouncing attacks on his wife, asserting the White House was cooperating, yet portraying it as an overheated partisan attack.

After weeks of bumbling, that left Clinton's closest advisers convinced the issue could seize his White House and derail his legislative agenda, Clinton moved in his most aggressive terms yet to respond to questions about a topic he and his wife have resisted talking about for more than a year.

His news conference represented a political strategy that is now running on a parallel track with the legal strategy by White House lawyers dealing with the investigation by special counsel Robert Fiske.

After strenuously resisting queries about his involvement in a tainted Arkansas land scheme called Whitewater, Clinton is now asserting he will totally cooperate with a probe he insists will turn up nothing.

He is indignantly defending the honor of his wife - eyes glistening, finger thumping - in a not-unfamiliar gambit Clinton has employed to previous attacks on the first family's Arkansas business dealings.

And he is seeking to dismiss the Republican attacks as politics-as-usual, notwithstanding the growing bipartisan tone of the political alarm bells.

"You're going to be confident in the way we handle this. There will not be a cover-up, there will not be an abuse of power in this office."

Against that backdrop, the White House is planning to attempt to proceed with business-as-usual this week, pushing ahead with planned speeches on health care today and crime Thursday.

"Once we have a counsel, once we've complied with the subpoenas, then we've once again pushed this out of the White House," said senior adviser George Stephanopoulos.

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Counselor David Gergen, whose sudden public emergence on this issue reflects the depths of White House concern, (he even did Nightline), said the key concern now was Clinton's programs.

"The most immediate danger, if we were to fall to the wayside . . . would be to the legislative agenda," Gergen said.

"People are raising the specter of Watergate," he said. "The only similarity between Watergate and Whitewater is that they both start with the same letter."

Still, "We managed to take a nothing ball and turn it into a 300-pound gorilla."

For all the late-afternoon optimism by Clinton's inner guard, it is hard to overestimate the size of the task that now faces the president.

The atmosphere at the White House was testy and somber Monday. In one office, an official cursed out CNN's Wolf Blitzer as he did a report in front of a pile of documents in a White House garbage bin.

The six White House advisers subpoenaed by Fiske - they are being questioned about possibly improper contacts between the White House and federal investigators - were nowhere to be seen.

The door to communications director Mark Gearan's empty office was open. Neither he nor adviser Bruce Lindsey, also under subpoena, attended the news conference Clinton had with Georgian leader Eduard Shevardnadze.

Meanwhile, officials offered gallows humor about going through garbage pails in search of any document with the word "Whitewater" on it, to comply with the subpoena.

The news conference with Shevardnadze was nothing short of surreal. Clinton alternated between intense questions from the U.S. press corps on Whitewater and questions on U.S.-Russian relations from members of the Georgian press, some of whose English was so thickly accented that Clinton had trouble discerning which language they were speaking.

In a hint of what fate awaits the White House effort to return to normalcy, aides were forced to cancel without comment a briefing with senior economic adviser Robert Rubin that had been set for Monday afternoon to discuss next week's job summit.

Meanwhile, the still relatively inexperienced White House seemed flummoxed on how to deal with Whitewater, with its twisted connections between government and private business and the often murky federal ethics law.

Officials insisted this was not as bad as the flare-up when they fired the travel office, in part because that was unquestionably a White House story and in part because one who works for Bill Clinton learns to deal with crisis. "This is no Travelgate," said Stephanopoulos.

But there was a sense that for all their efforts, officials did not have a grasp on things.

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Aides remained confused. Questions about whether the subpoenaed White House aides would be required to foot their own legal bill were referred, straight-faced, to Marlin Fitzwater, press secretary under two Republican presidents.

The official who is overseeing the White House cooperation with the subpoena - who gave a briefing under which his name could not be disclosed - was stopped short by what would seem to be a fairly obvious question: Would the subpoenas for information apply to documents drafted by Hillary Clinton, who is not a government official.

The belated answer: She'll comply.

Even Clinton's biggest boosters acknowledged things could well turn worse. Chief of staff Thomas "Mack" McLarty acknowledged hosting one of the meetings under investigation, and thus will himself likely be subpoenaed.

For all Clinton's interest in turning attention back to health care, the official running the health-care effort - Harold Ickes - is also under subpoena and now running the Whitewater response.

Administration officials face grand jury

The White House and Treasury officials subpoenaed to appear before a federal grand jury investigating the ties of President Clinton and Hillary Rodham Clinton to the Whitewater land deal and the failed Madison Guaranty Savings & Loan:

PRESIDENT'S STAFF Bernard Nussbaum White House counsel: Nussbaum resigned, effective April 5, after taking part in discussions with Treasury officials about the status of an investigation by the Resolution Trust Corp. into possible criminal wrongdoing in the failure of Madison.

Harold Ickes Deputy chief of staff: Since he arrived in January, Ickes has been coordinating White House damage-control efforts in the face of the widening probe of Whitewater and Madison. He met with Deputy Treasury Secretary Roger Altman in February.

Bruce Lindsey Senior presidential adviser: Has handled questions on the Clintons' role in Whitewater and Madison. Lindsey said he met with Treasury officials, but did not discuss the substance of investigations, but rather how to deal with reporters' questions.

Mark Gearan White House communications director: He confirmed White House officials got two briefings from Treasury officials last fall. He said the meetings were proper, held to discuss dealing with press inquiries.

FIRST LADY'S STAFF Lisa Caputo Hillary Rodham Clinton's press secretary: Said she got a call last fall from an RTC official who told her about press questions on Whitewater and Madison.

Maggie Williams Hillary Rodham Clinton's chief of staff: She attended at least one meeting at which Treasury officials discussed Whitewater and Madison.

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TREASURY STAFF Roger Altman Deputy Treasury secretary: He disclosed he briefed White House officials in February about how the RTC would deal with civil claims growing out of Madison's failure.

Jean Hanson Treasury Department general counsel: Reportedly told Nussbaum last fall the Clintons were named by the RTC as possible beneficiaries of questionable transactions at Madison, but were not accused of wrongdoing.

Joshua Steiner Treasury Department chief of staff: He attended the second Whitewater meeting with White House officials.

Jack Devore Former press secretary to Treasury Secretary Lloyd Bentsen: He attended one of the Whitewater meetings held with White House officials before he retired from the government Oct. 31.

GRAPHIC: PHOTO, b/w, Danny Johnson, AP; PHOTOS, b/w, AP (7)

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LEVEL 1 - 27 OF 35 ITEMS

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USA TODAY

March 8, 1994, Tuesday, FINAL EDITION

SECTION: NEWS; Pg. 3A

LENGTH: 950 words

HEADLINE: Foster's life, death still in the spotlight

BYLINE: Bill Nichols

DATELINE: HOPE, Ark.

BODY

The day after deputy White House counsel Vincent Foster apparently shot himself last summer, President Clinton told his devastated staff: "No one can ever know why this happened."

But even as Foster rests in a quiet cemetery west of town here, Whitewater special counsel Robert Fiske is actively pursuing just that question.

Friends and family of Foster both in Hope, President Clinton's birthplace, and in Little Rock at first refused to believe the strong, successful attorney would take his own life.

Today, however, those close to Foster fiercely denounce suggestions of foul play or some sort of conspiracy.

Their scenario: Foster, in Washington at the behest of the Clintons - his closest friends besides wife Lisa - found himself buffeted by political attacks he had never encountered before, and, suffering from depression and a fierce sense of pride, simply snapped.

"There's not really any other logical explanation," says Mark Grobmyer, a friend and Little Rock lawyer. "If Vince could come back and explain why he did it, I'm not sure that he could to anyone's satisfaction."

"How many people in their whole lives are ever asked to be the deputy counsel in the White House by the president?" says Little Rock attorney Joseph Purvis, Foster's boyhood friend from Hope.

"How do you say no? If you are . . . a person with any kind of competitive fire or spirit you've got to try. The problem is that, for somebody like Vince, it was a trap."

Fiske, by his actions, apparently is not sure. And the clamor in Congress grows louder.

Said House Minority Whip Newt Gingrich, R-Ga., on CNN Sunday: "The fact that the independent counsel has brought in a homicide expert as one of his deputies

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and . . . is reviewing the Park Police's entire investigation has to at least say that there's a lot there that's weird."

Weird is not how Foster has been described. He was an accomplished lawyer, partner at Little Rock's Rose firm with Hillary Rodham Clinton and Associate Attorney General Webster Hubbell. He rose fast, dazzled his colleagues and left a glittering resume.

In Little Rock, Foster was someone who "had usually always succeeded, who had been beyond reproach down here," says Max Brantley, editor of the weekly Arkansas Times.

Says George Frazier, a Hope insurance agent who talks "and sometimes cries a little" every other day or so with Foster's 79-year-old mother Alice Mae:

"There are still some questions that need to be answered. But it's a terrible burden on those of us who loved Vince and watched him grow up to open the newspaper . . . and find these stories."

While the U.S. Park Police concluded Foster's death was a suicide, there are questions:

-- One of Fiske's eight assistants, Roderick Lankler, a prosecutor with long experience with homicide cases, is probing Foster's death.

-- Foster had a file on the Clinton's involvement in the Whitewater real estate venture in his White House office that was moved by White House aides after his death.

-- Findings of the FBI, U.S. Park Police and Bureau of Alcohol, Tobacco and Firearms into Foster's death have not been made public. Fiske has asked they be held until he finishes his investigation.

-- The Park Police document reportedly said White House counsel Bernard Nussbaum was not helpful, monitoring their interviews with White House employees and limiting access to documents.

-- Paramedics have said the death scene was too tidy: Foster had little blood on his clothes.

-- Investigators were not allowed into Foster's office the day after he died, though Nussbaum, Maggie Williams, chief of staff for Hillary Clinton and Patsy Thomasson, an Arkansas Democratic stalwart and White House aide, got in the night he died.

-- A note, at first missed in Foster's briefcase, was not turned over for 30 hours.

Torn into 27 pieces, the note indicated Foster was bitterly frustrated with Washington. It was unsigned, undated and did not bear his fingerprints.

Frazier talked to Lisa Foster last week to request a photo of her husband for a commemorative display of the four Hope boys who went to Washington - Clinton, White House chief of staff Thomas "Mack" McLarty, administrative aide David Watkins and Foster.

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"She seemed to be doing OK," Frazier says. "She has some good days and some bad days, just like the rest of us."

Vince Foster's closest friends now see his death as the result of an almost unavoidable tension between his easy and constant success in Little Rock and the more partisan atmosphere of Washington.

He was savaged for early missteps - the firing of the White House travel office workers, the inability to settle on a nominee for attorney general - and felt he could neither leave his two old friends or return home in failure.

"He got there and where you or I . . . would have simply said to our good buddy, 'Mr. President, I love you dearly, I'm deeply grateful, however this is not my cup of tea,' Vince couldn't do that," says Purvis.

Purvis said he had dreamed of Foster recently. "I was in the White House and I was talking to Vince. We kind of had our arms around each other. And he just kept saying you can't believe how bad it is up here."

Investigation of investigation

White House deputy counsel Vincent Foster died of a bullet to the head July 20 in a park by the Potomac River in Arlington, Va.

Special counsel Robert Fiske is investigating whether the death was properly ruled a suicide by the U.S. Park Police, which handled the initial probe of Foster's death.

Also in question: if it was proper for White House counsel Bernard Nussbaum to remove Whitewater documents from Foster's office before police investigators were permitted inside.

GRAPHIC: PHOTO, b/w, Spencer Tirey, AP; PHOTO, b/w, White House

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LEVEL 1 - 28 OF 35 ITEMS

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WALL STREET JOURNAL

March 8, 1994, Tuesday

SECTION: Section A; Page 3, Column 2

LENGTH: 50 words

HEADLINE: CLINTON SAYS HE WAS TOLD IN ADVANCE RTC WANTED CRIMINAL PROBE OF MADISON

BYLINE: BY MICHAEL K FRISBY and BRUCE INGERSOLL

ABSTRACT

President Clinton discloses he was told about a criminal referral in the Madison Guaranty Savings & Loan case before the action was made public; the disclosure raises new questions about whether the White House may have meddled in an investigation of the affair (M)

LANGUAGE: ENGLISH

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LEVEL 1 - 29 OF 35 ITEMS

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March 8, 1994, Tuesday, Final Edition

SECTION: FIRST SECTION; PAGE A1

LENGTH: 1546 words

HEADLINE: Clinton: Whitewater, Watergate Not Alike ;
Republicans Accused of Fomenting 'Hysteria' on Issue

SERIES: Occasional

BYLINE: Ruth Marcus , Ann Devroy, Washington Post Staff Writers

BODY

President Clinton yesterday rejected comparisons of the Whitewater affair to Watergate, strongly defended his wife's conduct, and accused Republicans of being "blatantly partisan" in attempting to gin up "hysteria" on the issue.

Clinton's comments came as the White House attempted to get beyond a weekend dominated by reports about the resignation of the White House counsel and the subpoenaing of six senior aides about a series of meetings on the Resolution Trust Corp.'s investigation of Madison Guaranty Savings & Loan, a failed Arkansas thrift with ties to the Clintons.

Yesterday, the Clintons and the rest of the White House staff found themselves sorting through the trash and reviewing computer messages in an effort to comply with special counsel Robert B. Fiske Jr.'s subpoena for all documents relating to those meetings.

The only good news for the White House yesterday was Fiske's letter to the House and Senate Banking committees urging them to hold off on hearings that would focus on Madison and Whitewater, the real estate investment company that the Clintons entered into with Madison owner James McDougal and his former wife.

Fiske expressed "strong concern" about the possibility of hearings and warned that such an inquiry "would pose a severe risk to the integrity of our investigation."

Senate Banking Committee Chairman Donald W. Riegle Jr. (D-Mich.), replying to Fiske, agreed that the banking committee "should defer to your investigation." But members of the House Banking Committee said they will proceed with a March 24 oversight hearing that Republicans intend to use to focus on the Madison criminal referrals.

The continuing impact of the Whitewater investigation and the Fiske subpoenas on the normal operations of the White House was evident at Clinton's news conference yesterday with Georgian leader Eduard Shevardnadze. Each of the U.S. reporters questioning Clinton asked about that subject, and none of the subpoenaed aides appeared in the East Room for the event.

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Clinton said that neither he nor Hillary Rodham Clinton was briefed on the three meetings between senior White House officials and Treasury Department aides concerning the Madison investigation.

But he said that "some time in October" he became aware of the fact that the Resolution Trust Corp. had referred the Madison case to the Justice Department for possible criminal prosecution. The Clintons were not accused of any wrongdoing by the RTC, but were identified in the Oct. 8 referral as possible beneficiaries of improprieties at Madison.

"I don't remember when I knew about it or who told me about it, but it was just sort of presented as a fact, a decision that had been made by the government," Clinton said. "And I didn't think much about it at the time. It was just something that I absorbed."

Although the president was aware of the referral before it was reported by The Washington Post on Oct. 31, Hillary Clinton learned of it by reading the newspaper, a senior official said yesterday.

The White House was first alerted to the referral on Sept. 29, when Treasury Department general counsel Jean Hanson told White House counsel Bernard Nussbaum that it was coming.

Administration officials said Nussbaum "swears he did not tell either Clinton" but did inform presidential aide Bruce Lindsey, who had taken the lead at the White House in handling inquiries about the case. Lindsey, officials said, "believes that he did not act on" the September information but "may have told the Clintons" about the issue in October after press inquiries began.

"Regardless of when they knew" about the criminal referral, George Stephanopoulos, senior adviser, said yesterday, "I am certain that the Clintons did not direct anyone to take any action based on that knowledge to interfere with the referral or interfere with the normal process at the Justice Department."

Clinton used the occasion of his news conference yesterday to try again to put the Whitewater investigation behind him, saying repeatedly that he simply wanted to "let the special counsel do its job." After resisting for weeks congressional calls for appointment of an independent counsel, the White House now desperately wants to avoid the even messier step of congressional hearings into Madison and Whitewater.

Clinton methodically listed what he said were the differences between the Whitewater investigation and the Watergate scandal two decades ago. He said that his White House, unlike Richard M. Nixon's, was not attempting a coverup; that he has not been accused of "any abuse of authority in office"; and that there is "no credible evidence" that he violated any laws during the 1980s, when the investment was made.

"So there is no analogy except any hysteria that they [Republicans] can gin up around it," he said. "There will not be a coverup, there will not be an abuse of power in this office."

Asked about the role of his wife, who has been singled out in some recent

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press reports as a major cause of the fix in which the White House now finds itself, Clinton responded with an emotional defense.

"I believe I'm a better authority than anybody else in America on my wife," he said. "I have never known a person with a stronger sense of right and wrong in my life -- ever... . And I do not believe for a moment that she has done anything wrong."

Hillary Clinton was even harsher on the Republicans in an interview she gave to Elle magazine last Friday, as the subpoenas were being served. Hillary Clinton handled the details of the Clinton investment in the Whitewater land deal, and, as a private lawyer, was involved in helping Madison owner James McDougal win state permission for a new financing plan for his thrift. McDougal has said he hired Hillary Clinton and the Rose Law Firm of Little Rock and paid $ 2,000 a month for its services representing the thrift before Clinton appointees at the state securities commission.

In the Elle interview, Hillary Clinton called the focus on Whitewater "a well-organized, well-financed attempt to undermine my husband, and by extension, myself, by people who have a different political agenda or have another personal and financial reason for attacking us."

She said those who raise questions about her role or that of her husband are engaging in "the wildest kind of paranoid conspiracies" and that the whole issue is being pushed by Republicans as part of a continuous effort to "find a way of undermining me. If one thing doesn't work, these folks shift gears and try something else. It's so transparent to me."

A senior official involved in the procedure of ensuring White House compliance with Fiske's subpoenas said that six White House lawyers are now involved in a massive process of overseeing the production of documents. "Individuals, hundreds of individuals, are being asked to certify" that they have gone through all their files, computers, burn bags, trash and are either turning over relevant documents or have found no relevant documents.

The official said that all employees -- not just senior aides -- of the White House were ordered into the process. One of those involved said, "The situation here today was unbelievable ... people sorting through trash, people unsure of who they could talk to about what, nobody knowing who to ask the questions of... . "

Officials said that Joel Klein, the deputy counsel placed in charge of the compliance, had told the officials subpoenaed that "there will be no coordinated defenses, you cannot compare stories, you cannot discuss this with one another." For that reason, the subpoenaed officials, White House Deputy Chief of Staff Harold Ickes, Hillary Clinton's chief of staff Margaret Williams and press secretary Lisa Caputo, Clinton senior adviser Bruce Lindsey, White House Communications Director Mark Gearan and Nussbaum, are under what one called "severe restraints" in discussing any aspect of Whitewater.

Although senior White House officials last week said they had searched their records and concluded no meetings beyond those revealed in The Washington Post had occurred, yesterday they withdrew that assertion. Said one, "Until the documents are all produced" in connection with the subpoena, "I cannot say. That

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inquiry is part of the document search."

The White House faces a string of potentially explosive legal decisions, aides acknowledge. The senior official said the White House is prepared to claim executive privilege for documents containing classified or other sensitive material but will not know whether such a claim regarding any documents will be made until the documents are produced.

"At this point, we haven't made any decisions" in that area, the official said.

Once all the documents are produced, the official said, a team of six White House lawyers "will review them and if executive privilege comes up," decisions will be made then, he said.

At both the White House and Treasury, the subpoenaed officials have retained their own personal lawyers, officials at both agencies said yesterday. Howard Schloss Jr. at Treasury said that officials there received memos similar to the ones at the White House to preserve paper and documents and that lawyers there are going through the same sifting process.

GRAPHIC: PHOTO, PRESIDENT CLINTON STRONGLY DEFENDS HIS WIFE'S CONDUCT INTHE WHITEWATER AFFAIR.; PHOTO, JAMES A. PARCELL

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 30 OF 35 ITEMS

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March 8, 1994, Tuesday, Final Edition

SECTION: FIRST SECTION; PAGE A2; MARY MCGRORY

LENGTH: 759 words

HEADLINE: Heavy Froth for Shallow Water

SERIES: Occasional

BYLINE: MARY McGRORY

BODY

The Republicans think they have died and gone to Heaven. Life has come round again for them. The moment of their most excruciating humiliation, Watergate, is being replayed before their eyes. The White House is asking other agencies for inside dope about "criminal referrals"; an exhilarating whiff of Iran-contra-type paper shredding is in the air. Hillary Clinton's high-gloss image is being mauled -- she is depicted as a shredder and a shrew who puts her legal reputation above her husband's political survival.

There is even further cause for glee: In the rushing muddy waters of Whitewater, there is the intoxicating possibility that the blame for Republicans' most expensive blunder, the S&L debacle, can be diluted a little. Madison Guaranty Savings & Loan, mother ship of the misbegotten Whitewater development, is going to become the most investigated thrift of them all, and pretty soon you may hear Republicans chatting easily about "a bipartisan scandal."

Sen. Alfonse M. D'Amato (R-N.Y.), who had a near-death experience with sleaze charges, has been retrofitted with a halo and lectures his colleagues by the hour about conflict of interest and other subtle points of morality. The Washington Times is printing long screeds about Watergate parallels. New York Times columnist William Safire, an alumnus of the Nixon White House, fulminates against the outrageous impropriety of the president's (newly resigned) counsel, Bernard Nussbaum, acting like the president's lawyer, having forgotten that his president, Richard Nixon, used the attorney general of the United States for his mouthpiece when the going got tough in Watergate.

It's payback time, no question. It's slavering and subpoena time, too. Robert B. Fiske Jr. has come roaring out of his special counsel's office to hand official summonses to 10 administration people who attended three White House meetings for inside information about "criminal referrals" in the Madison probe that were held at the behest of someone trying to be helpful.

The most imposed upon of them may be Lisa Caputo, Hillary Clinton's press secretary. Her crime was to have taken a call from a helpful Resolution Trust Corp. flak who warned her to expect some press questions.

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The Subpoenaed Ten spent an anguished weekend explaining to their parents and their children that they had neither been arrested nor were they headed for jail. President Clinton may come in time to thank Fiske for this bit of grandstanding. If Fiske is going to be that assertive and hard-nosed, even with people who took telephone calls, he could lessen the clamor for congressional hearings. The screeching and cackling is deafening on the Hill, but maybe someone will remember that Hill airings can lessen the chance of getting to know more about what went on, and also just about end any hope of successful prosecutions. Maybe someone hot on the trail will stop and remember the Iran-contra hearings, which made the principal culprit a Senate candidate.

And possibly, when they cool down a little, they will take another look and notice that whatever he or she or both Clintons did at Whitewater, it is not impeachable. Impeachment is reserved for presidents who commit high crimes and misdemeanors in their great office. The Clintons probably can't admit that what looks awful in Washington is routine in Little Rock, but the fact is that chagrin could be the ultimate punishment. It is not likely that Nussbaum's many blunders will lead to prosecution. Ineptitude is not listed in the U.S. Code.

Besides getting a new counsel, the president might hand out passion-for-anonimity pills to his babbling staff. And he might suggest to Hill Democrats that they occasionally speak well of the first family, as Sen. Daniel Patrick Moynihan (N.Y.) did on Sunday. Although he has needled the president without mercy about health care and welfare reform, on "Face the Nation" he gallantly unfurled a timely tribute to the beleaguered first lady. On a visit to a Brooklyn hospital, he said, "she lit up the room."

Clinton is in the fight of his life -- as he so often is. He has to be patient and strong. Nobody can help him. Hillary, who bailed him out of previous messes, is benched this time. He must weather heckling and baiting. He must keep his head and his temper. He has to get Whitewater out of the White House before his presidency gets mildewed. Lucky for him, he was not elected as a role model or a moral authority. But the Republicans, for the moment are pretending he was, and they won't let go.

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 31 OF 35 ITEMS

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March 8, 1994, Tuesday, Final Edition

SECTION: FIRST SECTION; PAGE A9

LENGTH: 814 words

HEADLINE: GOP, Special Counsel At Odds Over Hearings

SERIES: Occasional

BYLINE: Charles R. Babcock, Kenneth Cooper, Washington Post Staff Writers

BODY

While a special counsel requested that Congress cancel its plans to investigate the tangled Whitewater affair, Republican congressional leaders yesterday suggested that hearings should be broadened to look at possible improper White House involvement in the probe.

Special counsel Robert B. Fiske Jr. warned leaders in a letter that congressional inquiries could interfere with his broad investigation into President Clinton's Arkansas land venture and ties to the failed Madison Guaranty Savings & Loan. Fiske also is investigating the July suicide of former deputy White House counsel Vincent Foster Jr.

Fiske has subpoenaed 10 White House and Treasury Department officials to give testimony to a federal grand jury in Washington Thursday.

Rep. Jim Leach (R-Iowa) said he intends to seek testimony from some of the same individuals at a March 24 Resolution Trust Corp. oversight hearing that Republicans plan to use to delve into the Whitewater matter.

"We've gone from possible illegal acts prior to assuming office to the possibility of illegal acts taken by a president while in office," Leach said.

Rep. Henry B. Gonzalez (D-Tex.), chairman of the House Banking Committee, said he will go ahead with the oversight hearing despite Fiske's request but will not allow Republicans to grill administration officials who have been subpoenaed by Fiske.

Those officials took part in meetings at the White House to discuss a confidential criminal referral from the RTC to the Justice Department that mentioned the Clintons' involvement in the mid-1980s with Madison, owned by their Whitewater business partner James McDougal.

"In view of the fact they have been subpoenaed, that would be a matter that is not vital to our RTC hearing," Gonzalez said. "Those people will have to answer to the prosecutor."

Sen. Donald W. Riegle Jr. (D-Mich.), chairman of the Senate Banking

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Committee, told Fiske his committee should defer further hearings that touched on Whitewater and Madison. But Sen. Alfonse M. D'Amato (R-N.Y.), the ranking minority member of that committee, said he thought Fiske's request "may be a premature and overly broad remedy." He plans to meet with Fiske Wednesday to discuss the matter.

He said in an interview yesterday that Congress should question all of the officials Fiske has subpoenaed about the White House-Treasury meetings. "We can do it without giving them immunity," he said.

Leach, who is leading the House Banking Committee Republicans, said in an interview that he respects Fiske's role, but "a prosecutor cannot interfere with the oversight responsibility of the Congress."

Leach said this is especially true with recent revelations that White House officials, including the president, were told last fall about the RTC criminal referral.

Gonzalez told Fiske in a letter that he didn't intend to interfere in his work, but noted that Republican members "do not necessarily share my concern." He suggested Fiske advise "all parties on your views of whether they should respond" to GOP inquiries for documents and information.

In the meantime, members of both political parties issued broadsides yesterday, with Senate Minority Leader Robert J. Dole (R-Kan.) and House Minority Whip Newt Gingrich (R-Ga.) seeking to keep public attention on the issue while Senate Majority Leader George J. Mitchell (D-Maine) said hearings could thwart Fiske's probe.

Mitchell told reporters that court rulings dismissing Iran-contra charges against Oliver L. North showed congressional investigations "effectively preclude" criminal prosecutions stemming from the same incidents. He called the GOP actions a partisan effort to embarrass the president.

Dole, meanwhile, called Whitewater "a case study in self-immolation. Omissions, misstatements of fact, 'negotiated' subpoenas, behind the scenes meetings... . have all created the impression that there's something to hide."

Gingrich demanded that Republicans on other House committees be given power to subpoena documents related to Whitewater.

In his letters to the leaders of the two banking committees yesterday, Fiske said congressional investigations would "overlap substantially" with the grand jury's. He cited the dangers of congressional immunity, premature disclosure of documents or testimony that could allow witnesses to tailor their testimony. He said he was concerned too that hearings into the recently disclosed meetings between White House and Treasury officials "will inevitably lead to the disclosure of the contents of RTC referrals."

But Leach said that congressional inquiries often help, rather than hinder, criminal investigations. He noted that congressional investigators discovered the White House tapes in Watergate and that the first White House-Treasury meeting was disclosed at a recent Senate hearing.

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Staff writer Helen Dewar contributed to this report.

GRAPHIC: PHOTO, REP. JIM LEACH

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 8, 1994

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March 8, 1994, Tuesday, Final Edition

SECTION: FINANCIAL; PAGE C1; THE REGULATORS: GRILLING WORKERS IN THE ROTISSERIE

LENGTH: 1192 words

HEADLINE: The OTS Umpires' Call on Fantasy Sports Leagues: 'Out!'

SERIES: Occasional

BYLINE: Cindy Skrzycki, Washington Post Staff Writer

BODY

If federal regulators had watched the shenanigans of many savings and loan officials in the 1980s as closely as they have their own employees at the Office of Thrift Supervision, a multibillion-dollar mop-up of the S&L industry might have been avoided.

For the past year, the OTS, which regulates thrifts as the successor agency to the Federal Home Loan Bank Board, has unleashed a battalion of attorneys and top managers to investigate and discipline employees who play in fantasy sports leagues, sometimes called rotisserie leagues, at the agency.

The sport, which involves making up imaginary teams from the rosters of real baseball and football lineups and then ranking them on performance factors such as batting averages and home runs, is a favorite pastime at many government and private offices in Washington. Nationally, it's estimated that millions play, with winners getting cash prizes at the end of the season.

The OTS, however, has not been a good sport about employees using the e-mail system and work time to telegraph standings and trades. Much time has been spent at the highest echelons of OTS trying to determine if participating in fantasy sports leagues constitutes gambling, which is forbidden on federal property.

"It is unseemly to permit, condone or tolerate employees who use their paid time and agency equipment to participate in so-called interactive skills competition. Such actions constitute a betrayal of the public trust and should be recognized as such," the agency said in a written statement in response to press inquiries.

The fantasy dragnet has been run by Martha Lou Guest, general law deputy chief counsel in the agency's Office of the Chief Counsel, according to internal memos. At any given time, eight or more top managers and attorneys, including Carolyn B. Lieberman, OTS chief counsel, were involved in rooting out the fantasy sports scandal. Randy Thomas, senior trial attorney, did much of the day-to-day work.

In the past year, internal OTS memos show that employees were interrogated,

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e-mail tapes were reviewed, meetings among top managers were held, reprieves were offered, grievances were filed, punishment was meted out. Memo traffic flowed into OTS acting director Jonathan L. Fiechter's office.

For intrigue alone, it's almost in the league of Madison Guaranty Savings and Loan.

Things got really messy when two OTS employees who operated the league, Peter Hull and David Sjogren, received 14-day, unpaid suspensions, without warning. Theirs was the harshest punishment handed out, and they immediately challenged allegations that they were gambling or misusing government equipment (They said they spent less than 30 minutes a week on the "sport" at work).

Sjogren was warned in 1992 that he couldn't use OTS equipment for a "gambling purpose." But both employees pointed out that supervisors and top OTS attorneys -- even those who delivered warnings -- played in leagues at OTS and at other agencies.

"Apply the misuse standard to everyone and we'll clean out the agency," said Hull, a 31-year-old paralegal. "The scandal is how much time and money they have devoted to this."

Sjogren, 39, who is a mid-level manager, vows to take the agency to court if he loses his appeal. At one point, Sjogren was offered a settlement, which he accepted, but it was withdrawn by agency higher-ups.

Howard Bluver, OTS senior counsel and a fantasy baseball player, said his supervisors were aware of his participation and never disciplined him until the probe started.

Other OTS employees consented to punishments such as picking up garbage on Glebe Road, giving blood or making charitable donations.

Batter up.

TELECOMMUNICATIONS attorneys and lobbyists are getting nervous that the new regime at the Federal Communications Commission will undo what's already been done to lay out rules for the nascent personal communications service industry.

Today the FCC is scheduled to set forth so-called "generic rules" for PCS -- boring stuff such as who can bid, how companies will be notified, how much time the procedures will take. It also will lay out rules for auctioning blocks of radio spectrum needed to run wireless PCS devices.

But the more meaty issues are still under "reconsideration," as they say in regulatese. Some 67 parties have contacted the FCC asking it to take another look at the most important issues decided earlier, such as the size of spectrum blocks, geographic boundaries and the role existing cellular companies play.

Sources at the agency said new FCC Chairman Reed Hundt wants a "clear-headed review" but has "not stated his preference for any particular proposal."

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TONI COOK BUSH may have gone into private practice, but she's not forgotten.

Her name came up recently in a Federal Communications Commission inspector general's report that criticized the agency for how it handled a matter involving Rainbow Broadcasting Co., a minority-owned company trying to build a television station in Orlando, Fla.

The IG report said that Bush, who was a top contender for the FCC chairmanship before Reed Hundt was appointed, acted improperly when she contacted Roy Stewart, chief of the FCC Mass Media Bureau. Bush reminded him that Rainbow, which had failed to get an extension on its construction permit, was a minority broadcaster, the report said. Stewart told the IG that Bush wanted to know if the actions the bureau had taken were consistent with FCC policy on minority broadcasters.

The Washington attorney for Rainbow, according to the report, was Margot Polivy, a former client of Bush's, who asked Bush to call the FCC. (Polivy, at one time, represented Bush in a controversial radio licensing case involving RKO General Inc.)

Shortly afterward, the FCC met with Rainbow and the company got its permit back.

Though the IG considers the call from Bush out of bounds, it also concedes that the agency's rules on such communications are unclear and need to be fixed. Another FCC official who followed up in a later phone call with Bush called her inquiry "innocuous."

The issue of Bush's phone call was raised in the first place because Rainbow's permit is being challenged by a competitor who felt it should have known about the meeting.

Bush, who is the stepdaughter of Vernon Jordan, a counselor to President Clinton, now is a partner at Skadden Arps Slate Meagher & Flom.

Speaking on behalf of Bush, Robert Bennett, a senior attorney at Skadden Arps, said that Bush didn't do anything wrong. In her role as senior counsel of the Senate subcommittee on communications, she was merely making a status call about the case, he said. Furthermore, Bennett said, no one at the FCC told her that Rainbow was a "restricted" proceeding," which limits outside contacts.

"She didn't ask them to do anything," Bennett said. "It was absolutely proper."

FREE THE FDIC CHAIR!

Ricki Tigert, the lawyer whose nomination to head the Federal Deposit Insurance Corp. is being held hostage by Senate Republicans over the Whitewater case, certainly has the support of her colleagues at Gibson, Dunn & Crutcher. They've tied a yellow ribbon to her door.

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GRAPHIC: ILLUSTRATION, KEITH BENDIS FOR TWP

LANGUAGE: ENGLISH

LOAD-DATE-MDC: March 8, 1994

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LEVEL 1 - 33 OF 35 ITEMS

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The Washington Times

March 8, 1994, Tuesday, Final Edition

SECTION: Part A; Pg. A13

LENGTH: 858 words

HEADLINE: Fiske says hearings would harm probe

BYLINE: Jerry Seper; THE WASHINGTON TIMES

BODY

Special counsel Robert B. Fiske Jr. urged congressional leaders yesterday to refrain from hearings on the Whitewater-Madison affair, but political pressure was building on Capitol Hill for Democrats to accede to Republican calls for the public airings.

Mr. Fiske, named by Attorney General Janet Reno to look into Whitewater-Madison, said congressional hearings would "pose a severe risk to the integrity of our investigation."

He told Senate and House leaders that hearings would overlap with an ongoing federal grand jury investigation into accusations of financial irregularities by Madison Guaranty Savings and Loan Association and its ties to President and Mrs. Clinton through Whitewater Development Corp.

Mr. Fiske said the possibility that congressional witnesses would be granted immunity from prosecution in exchange for their testimony could make premature public disclosures of "matters at the core of the criminal investigation."

Mr. Fiske expressed his "strong concern" about hearings in a letter to Senate Banking Committee Chairman Donald W. Riegle, Michigan Democrat, and Sen. Alfonse M. D'Amato, New York Republican and ranking GOP member of the panel.

"For these reasons, we request that your committee not conduct any hearings in the areas covered by the grand jury's investigation, both in order to avoid compromising that investigation and in order to further the public interest in preserving the fairness, thoroughness and confidentiality of the grand jury process," he said.

"The concerns you outline in your letter - that a parallel congressional investigation would interfere with your inquiry - are compelling and accurate," Mr. Riegle said in a return letter. "It is my view that the Banking Committee should defer to your investigation."

Rep. Henry B. Gonzalez, chairman of the House Banking Committee, who received a similar letter from Mr. Fiske, responded that he had "no intention

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of taking any action that might interfere with, compromise or otherwise hinder" the Fiske inquiry. But the Texas Democrat added that oversight hearings on the Thrift Depositor Protection Board are scheduled for March 24, and "I cannot prevent members from propounding questions" about the Whitewater-Madison affair.

Mr. Fiske also said he had "similar concerns" about congressional efforts to conduct ethics inquiries into revelations that secret Treasury Department briefings were held with White House officials regarding an inquiry by the Resolution Trust Corp. into the Clintons' ties to Madison.

Congressional Republicans, led by Senate Minority Leader Bob Dole of Kansas and Rep. Jim Leach of Iowa, ranking GOP member of the House Banking Committee, have demanded hearings in both the Whitewater-Madison affair and the RTC briefings. They rejected the Democrats' balking yesterday.

"The Democrat-controlled Congress has never been shy about exercising its oversight responsibilities . . . and there's no reason to make an exception for Whitewater," Mr. Dole said.

Mr. Leach agreed, adding, "It looks like the grass is now afire and it may be approaching the forest" unless something is done in Congress to at least attempt to dig into the matter.

House Speaker Thomas S. Foley and other House Democratic leaders tentatively have agreed to hold a special meeting this week, possibly on Thursday, to discuss the Whitewater-Madison issue.

"It has not been formalized as of yet," said an aide to Mr. Foley last night. "But they're working on it."

"Events are unfolding at a pace which makes it all the more imperative that the Congress carry out its congressional oversight function," House Minority Whip Newt Gingrich, Georgia Republican, said in letters to the Democratic leaders requesting the meeting.

House Democratic chairmen also are considering a separate meeting on Thursday to discuss the Whitewater-Madison tempest brewing in an election year.

"They are getting concerned that the [Democratic] leaders aren't doing anything to stop this thing before it gets worse," one senior Democratic aide said last night.

"Better to go on the offensive than sit around looking like we're helping to hide something for those bunch of clowns" at the White House, said one Democratic committee chairman.

"I don't give a damn about the Republicans," said a second Democratic chairman. But "it stinks what we're not doing."

Meanwhile, Attorney General Janet Reno rejected a Republican request to suspend Associate Attorney General Webster L. Hubbell, a longtime Clinton confidant, until questions are resolved about his involvement in Whitewater-Madison.

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Mr. Hubbell, a former law partner of Hillary Rodham Clinton's, represented the RTC in a lawsuit directed against Madison after Mrs. Clinton had defended Madison before state regulators during Mr. Clinton's tenure as Arkansas governor. The Arkansas thrift was seized by federal regulators at a cost to taxpayers of $50 million.

* Paul M. Rodriguez contributed to this report.

LANGUAGE: ENGLISH

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The Washington Times

March 8, 1994, Tuesday, Final Edition

SECTION: Part A; Pg. A1

LENGTH: 1123 words

HEADLINE: Clinton jumps to defense of Hillary's ethics ;
Cutler in line for Nussbaum's job

BYLINE: Paul Bedard; THE WASHINGTON TIMES

BODY

President Clinton yesterday defended his wife against charges of impropriety in the escalating Whitewater-Madison affair but conceded that he was told privately last October of a federal probe of a failed Arkansas thrift tied to the Clintons.

The president defended Hillary Rodham Clinton's ethics as a lawyer but declined an opportunity to deny the accuracy of a dispatch in yesterday's editions of The Washington Times that she ordered the shredding of documents at Little Rock's Rose Law Firm after a New York Times report first raised the Whitewater-Madision issue during the 1992 presidential campaign.

Meanwhile, Mr. Clinton was expected to name Lloyd Cutler, 76, who served in several Democratic administrations, as White House counsel. Word spread across Washington that Mr. Cutler would be chosen, possibly as early as today, to replace Bernard W. Nussbaum, who quit under fire on Saturday, and Counselor David Gergen stopped just short of confirming the rumor last night on ABC-TV's "Nightline."

Mr. Clinton was resolute in his defense of the first lady yesterday.

"I have never known a person with a stronger sense of right and wrong in my life," Mr. Clinton said in comments reminiscent of his defense of his wife when Democratic presidential challenger Jerry Brown first raised the Whitewater issue in 1992.

"I am just telling you," said the president, thumping the podium for emphasis during a remarkable news conference with Georgian President Eduard Shevardnadze that was dominated by questions about Whitewater-Madison. "The American people can worry about something else. Her moral compass is as strong as anybody's in the country, and they will see that."

As Mr. Clinton fended off Whitewater-Madison questions, White House officials braced for another round of subpoenas, possibly targeting Mrs. Clinton and Chief of Staff Thomas F. "Mack" McLarty, in the wake of new press reports of their involvement in Whitewater-Madison.

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The Washington Times, March 8, 1994

Mr. McLarty helped to arrange one of three meetings during which White House officials discussed the president's name in the criminal probe of Madison Guaranty Savings and Loan Association, owned by James B. McDougal, the Clintons' partner in Whitewater Development Corp.

The second meeting, on Oct. 10, took place to discuss how to handle press inquiries about the criminal link to the Clintons in the probe, according to a senior administration official.

It was after that meeting, Mr. Clinton said yesterday, that he was made aware of the so-called "criminal referral" by the Resolution Trust Corp. (RTC), which oversees S&L bailouts, but said he did not remember who told him.

White House officials vehemently deny that anyone in the meetings told Mr. Clinton about the substance of the accusations.

"I became aware of - I don't know when, but sometime in October, I became aware of the RTC finding with regard to the question - the referral, I think it's called, on the question of whether my campaign benefited improperly from checks which allegedly came from the S&L and I knew about that," Mr. Clinton said.

As he fidgeted with typed notes, the president added, "I don't remember when I knew about it, or who told me about it, but it was just sort of presented as a fact, a decision that had been made by the government."

As White House fanned out on news and talk shows to carry out damage control, political pressure was building on Capitol Hill to hold Whitewater-Madison hearings sought by Republicans. Special counsel Robert B. Fiske, Jr. urged congressional leaders not to hold hearings for fear it might taint the ongoing grand jury probe.

Democratic and Republican House leaders were expected to meet privately - possibly by Thursday - to discuss Whitewater-Madison.

Mr. Clinton insisted yesterday that the investigation into his failed Whitewater real estate venture in northern Arkansas was not similar to the Watergate scandal that brought down President Nixon.

"There will not be a cover-up. There will not be an abuse of power in this office and there is no credible charge that I violated any law. . . . This is going to be a very different thing," Mr. Clinton said.

As for the documents Mrs. Clinton is accused of ordering shredded, Mr. Clinton said: "Law firms dispose of their documents all the time. And I did not read the article, but I understand the article didn't purport to say what the contents of any of the files were."

Mr. Clinton's defense came as White House Deputy Counsel Joel Klein issued new rules outlining how all White House staff - including Mr. and Mrs. Clinton - should handle papers and electronic messages demanded under a Whitewater-related subpoena issued last Friday.

Administration officials were told Friday to stop burning, shredding or

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disposing of anything until they checked for papers covered by the subpoena. There were mountains of garbage at the White House yesterday and an empty garbage can for disposal of burn-bag ashes.

"It's getting pretty deep and stinky here," said an administration official.

By late last night, all documents and computer memos were to have been collected. They will be carted away by Mr. Fiske's prosecutors later this week.

Earlier this year, the White House turned over some 10 cartons of documents related to the Whitewater-Madison probe to Justice Department investigators before Mr. Fiske was appointed by Attorney General Janet Reno.

Mr. Fiske's subpoenas of 10 current and former administration officials target any information related to the three meetings between White House counsel and Treasury officials about the Whitewater-Madison investigation.

At a Sept. 29 meeting, White House Counsel Bernard W. Nussbaum and Treasury Deputy Counsel Jean Hanson met to discuss the RTC probe, which is looking into whether Madison improperly funneled money to Mr. Clinton's 1984 gubernatorial campaign or Whitewater.

At that meeting, Ms. Hanson told Mr. Nussbaum that the Clintons had been named in a "criminal referral" but were not accused of wrongdoing.

It was after the second meeting that Mr. Clinton was told of his connection to the probe.

Mr. Clinton said he was unaware of a third meeting in February when Deputy Treasury Secretary and acting RTC head Roger C. Altman discussed the Madison probe.

Mrs. Clinton's deputy press secretary, Neel Lattimore, told the Associated Press the first lady did not know about the meetings or the investigation of possible improper donations until she read about them in news accounts.

GRAPHIC: Photo (color), Hillary's 'moral compass': President Clinton answers a question about his wife's role in Whitewater during a news conference yesterday with Georgian President Eduard Shevardnadze., By Ruth Fremson/The Washington Times

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LEVEL 1 - 35 OF 35 ITEMS

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March 8, 1994 Tuesday, NORTH SPORTS FINAL EDITION

SECTION: NEWS; Pg. 1; ZONE: N

LENGTH: 1105 words

HEADLINE: CLINTON DEFENDS WIFE IN WIDENING S&L INQUIRIES

BYLINE: By Mitchell Locin, Tribune Staff Writer. Tribune wire services contributed to this report.

DATELINE: WASHINGTON

BODY

President Clinton casually stuck his hands in his pockets, then folded them on the lectern. Except when he passionately vouched for the character of Hillary Rodham Clinton, he sounded curiously low-key Monday in the face of persistent questions about the Whitewater controversy.

But what appeared to be a premeditated attempt to seem cool and unruffled belied the pace of events rapidly reeling out of his control, including a hectic search for subpoenaed documents within the White House.

Despite his attempt to convey an air of calm, it was hardly a routine day for Clinton.

For the second time in four days, Clinton stood next to an important foreign leader at a news conference designed to showcase his leadership on the world stage-only to be sidetracked by nagging questions inspired by an Arkansas real estate venture.

"I have been forthcoming, I will continue to be forthcoming. There will not be a cover-up. There will not be an abuse of power in this office. And there is no credible charge that I violated any law," Clinton said as President Eduard Shevardnadze of the former Soviet republic of Georgia, who was there to discuss economic aid and UN peacekeeping troops in Georgia, stood blank-faced next to

him.

Clinton underwent a similar grilling last Friday in the presence of Ukrainian President Leonid Kravchuk.

Clinton stoutly defended his wife against a report in the Washington Times that she ordered papers shredded during the 1992 presidential campaign at her office at the Rose Law Firm in Little Rock, Ark.

"I have never known a person with a stronger sense of right and wrong in my life," Clinton said in his only display of emotion. "Her moral compass is as strong as anybody's in this country."

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As he spoke, garbage cans in the White House were filled to overflowing, waiting for top officials to review their paper records, computer files, "burn bags" and even their wastebaskets to comply with subpoenas issued Friday by special counsel Robert Fiske.

What brought Clinton and his administration to this point were recent disclosures that his aides had met at least three times with Treasury Department officials to discuss the failure of Madison Guaranty Savings and Loan and its relationship to Whitewater Development Corp., a real estate venture in which the Clintons shared an interest with James McDougal, the thrift's owner.

The meetings led to the resignation Saturday of White House counsel Bernard Nussbaum and to subpoenas issued him and nine other current and former administration officials.

The subpoenas asked that anything related to the meetings be turned over to a federal grand jury by Thursday. Deputy White House counsel Joel Klein issued six pages of instructions to the approximately 400 officials who work in the White House and are thus covered by the subpoenas, which instructed them to turn over their records to Klein by Monday night for review.

An administration official, who briefed reporters on condition of anonymity, suggested it was unlikely that Clinton would invoke any claim of executive privilege and refuse to turn over his papers, though he said there had not yet been a final determination. Such a claim would surely launch a constitutional battle between the White House and Fiske, and recall the fight over such claims made by President Richard Nixon during the Watergate scandal.

The official added that the Clintons may not have any additional materials to produce since they already had complied with a Justice Department subpoena in December for all Whitewater-related documents. In addition, Clinton said Monday that he had no knowledge of any of the meetings with Treasury Department officials until they became public recently.

In a late-September session with Jean Hanson, deputy counsel in the Treasury Department, Nussbaum learned that the Resolution Trust Corp. was going to refer to the Justice Department questions about whether Clinton's 1984 re-election campaign for Arkansas governor had benefited from checks issued improperly by Madison Guaranty Savings. The referral did not become public knowledge until The Washington Post reported it Oct. 31.

"Bernie did not tell the president or the first lady," said another senior White House official, who suggested that Clinton may have learned about the referral only when reporters started asking questions about it.

Clinton said he learned "sometime in October" from someone whose identity he can't remember about the RTC referral.

"I didn't think much about it at the time," Clinton said. "It was just something that I absorbed. It was told to me just as something that the government had decided to do. Otherwise, I was not aware of any of these things."

Meanwhile, administration officials and associates of Lloyd N. Cutler were

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quoted late Monday as saying the president had chosen Cutler, the White House counsel under President Jimmy Carter, to return to the job temporarily until the battered office is reorganized and a permanent White House lawyer is selected.

Cutler, a highly regarded Washington lawyer, is to serve without pay during his interim posting and will remain in the White House for no longer than six months, the associates said.

After a weekend in which some Republicans compared the case to Watergate, the GOP leadership continued to hammer Clinton and called for congressional hearings.

"If there's been no wrongdoing, there should be nothing to hide," Senate Minority Leader Bob Dole of Kansas said on the Senate floor.

Democratic resistance to hearings received a boost from Fiske, who sent a letter to the Senate Banking Committee warning that congressional hearings "would pose a severe risk to the integrity of our investigation."

The president, Mrs. Clinton and his top aides argued that they are victims of a partisan plot.

"This is a well-organized and well-financed attempt to undermine my husband, and by extension, myself, by people who have a different political agenda or have another personal or financial reason to attack us," Mrs. Clinton said in an interview with Elle magazine.

The president rejected comparisons to Watergate and took the offensive, saying Republicans risk public outrage by being "blatantly partisan" and using the uproar as an excuse for not dealing with issues such as health care.

"No one has accused me of any abuse of authority in office," Clinton said.

In an orchestrated effort at damage control, Chief of Staff Thomas "Mack" McLarty and senior adviser George Stephanopoulos echoed similar sentiments in television interviews.

GRAPHIC: PHOTO; PHOTO: At a press conference Monday to discuss foreign policy, President Clinton finds himself passionately defending his wife, Hillary. AP photo.

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